Republic of the Philippines
Supreme Court
Manila

FIRST DIVISION

ALUMAMAY O. JAMIAS, JENNIFER C. MATUGUINAS and JENNIFER F. CRUZ,* Petitioners,	**G.R. NO. 159350**
- versus -	Present:
NATIONAL LABOR RELATIONS COMMISSION (SECOND DIVISION), HON. COMMISSIONERS: RAUL T. AQUINO, VICTORIANO R. CALAYCAY and ANGELITA A. GACUTAN; HON. LABOR ARBITER VICENTE R. LAYAWEN; INNODATA PHILIPPINES, INC., INNODATA PROCESSING CORPORATION, (INNODATA CORPORATION), and TODD SOLOMON, Respondents.	SERENO, *C.J.*, LEONARDO-DE CASTRO, BERSAMIN, PERLAS-BERNABE, *and* CAGUIOA, *JJ.*:
	Promulgated:
	MAR 09 2016

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DECISION

BERSAMIN, *J.*:

The petitioners appeal the adverse judgment promulgated on July 31, 2002,[1] whereby the Court of Appeals (CA) upheld the ruling of the National

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* Although the petition for review on *certiorari* was filed in the names of all the original parties in the Court of Appeals, namely: Alvin V. Patnon, Marietha V. Delos Santos, Mary Rose V. Macabuhay, Alumamay O. Jamias, Marilen Agbayani, Rina O. Duque, Lilian R. Guamil, Jerry F. Soldevilla, Ma. Concepcion A. Dela Cruz, Analyn I. Beter, Michael L. Aguirre, Jennifer C. Matuguinas and Jennifer F. Cruz, the Court captions this decision only with the names of the three who brought this appeal, namely: Alumamay O. Jamias, Jennifer C. Matuguinas and Jennifer F. Cruz.

[1] *Rollo*, pp. 38-46; penned by CA Associate Justice Bienvenido L. Reyes (now a Member of the Court), with Associate Justice Roberto A. Barrios (retired/deceased) and Associate Justice Edgardo F. Sundiam (retired/deceased), concurring.

Labor Relations Commission (NLRC) declaring them as project employees hired for a fixed period.

Antecedents

Respondent Innodata Philippines, Inc. (Innodata), a domestic corporation engaged in the business of data processing and conversion for foreign clients,[2] hired the following individuals on various dates and under the following terms, to wit:

Name	Position	Duration of Contract
Alumamay Jamias	Manual Editor	August 7, 1995 to August 7, 1996[3]
Marietha V. Delos Santos	Manual Editor	August 7, 1995 to August 7, 1996[4]
Lilian R. Guamil	Manual Editor	August 16, 1995 to August 16, 1996[5]
Rina C. Duque	Manual Editor	August 7, 1995 to August 7, 1996[6]
Marilen Agabayani	Manual Editor	August 23, 1995 to August 23, 1996[7]
Alvin V. Patnon	Production Personnel	September 1, 1995 to September 1, 1996[8]
Analyn I. Beter	Type Reader	September 18, 1995 to September 18, 1996[9]
Jerry O. Soldevilla	Production Personnel	September 18, 1995 to September 18, 1996[10]
Ma. Concepcion A. Dela Cruz	Production Personnel	September 18, 1995 to September 18, 1996[11]
Jennifer Cruz	Data Encoder	November 20, 1995 to November 20, 1996[12]
Jennifer Matuguinas	Data Encoder	November 20, 1995 to November 20, 1996[13]

2 Id. at 179-180.
3 Id. at 217.
4 CA *rollo*, pp. 41-42.
5 Id.
6 Id.
7 Id.
8 Id.
9 Id. at 42-43.
10 Id.
11 Id.
12 *Rollo*, p. 218.
13 Id. at 219.

After their respective contracts expired, the aforenamed individuals filed a complaint for illegal dismissal claiming that Innodata had made it appear that they had been hired as project employees in order to prevent them from becoming regular employees.[14]

Decision of the Labor Arbiter

On September 8, 1998, Labor Arbiter (LA) Vicente Layawen rendered his decision dismissing the complaint for lack of merit.[15] He found and held that the petitioners had knowingly signed their respective contracts in which the durations of their engagements were clearly stated; and that their fixed term contracts, being exceptions to Article 280 of the *Labor Code*, precluded their claiming regularization.

Ruling of the
National Labor Relations Commission

On appeal, the NLRC affirmed the decision of LA Layawen,[16] opining that Article 280 of the *Labor Code* did not prohibit employment contracts with fixed periods provided the contracts had been voluntarily entered into by the parties, *viz*.:

> [I]t is distinctly provided that complainants were hired for a definite period of one year incidental upon the needs of the respondent by reason of the seasonal increase in the volume of its business. Consequently, following the rulings in *Pantranco North Express, Inc. vs. NLRC, et al.*, G.R. No. 106654, December 16, 1994, the decisive determinant in term of employment should not be the activities that the employee is called upon to perform, but the day certain agreed upon by the parties for the commencement and termination of their employment relationship, a day certain being understood to be "that which must necessarily come, although it may not be known when." Further, Article 280 of the Labor Code does not prescribe or prohibit an employment contract with a fixed period provided, the same is entered into by the parties, without any force, duress or improper pressure being brought to bear upon the employee and absent any other circumstance vitiating consent. It does not necessarily follow that where the duties of the employee consist of activities usually necessary or desirable in the usual business of the employer, the parties are forbidden from agreeing on a period of time for the performance of such activities. There is thus nothing essentially contradictory between a definite period of employment and the nature of the employee's duties. x x x[17]

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14 CA *rollo*, p. 48.
15 Id. at 40-47.
16 Id. at 25-38.
17 Id. at 35-36.

Judgment of the CA

As earlier mentioned, the CA upheld the NLRC. It observed that the desirability and necessity of the functions being discharged by the petitioners did not make them regular employees; that Innodata and the employees could still validly enter into their contracts of employment for a fixed period provided they had agreed upon the same at the time of the employees' engagement;[18] that Innodata's operations were contingent on job orders or undertakings for its foreign clients; and that the availability of contracts from foreign clients, and the duration of the employments could not be treated as permanent, but coterminous with the projects.[19]

The petitioners moved for reconsideration,[20] but the CA denied their motion on August 8, 2003.[21]

Hence, this appeal by only three of the original complainants, namely petitioners Alumamay Jamias, Jennifer Matuguinas and Jennifer Cruz.

Issues

The petitioners anchor their appeal on the following:

I

THE HON. COURT OF APPEALS COMMITTED GRAVE ABUSE OF DISCRETION AMOUNTING TO LACK OF JURISDICTION OR IN EXCESS OF JURISDICTION AS IT CANNOT REVERSE OR ALTER THE SUPREME COURT DECISION

THE SUPREME COURT HAS RULED THAT THE NATURE OF EMPLOYMENT AT RESPONDENTS IS REGULAR NOT FIXED OR CONTRACTUAL IN AT LEAST TWO (2) CASES AGAINST INNODATA PHILS., INC.

II

THE HON. COURT OF APPEALS COMMITTED SERIOUS ERROR OF LAW WHEN IT DID NOT STICK TO PRECENDENT AS IT HAS ALREADY RULED IN AN EARLIER CASE THAT THE NATURE OF EMPLOYMENT AT INNODATA PHILS., INC. IS REGULAR AND NOT CONTRACTUAL

III

THE HON. COURT OF APPEALS PATENTLY ERRED IN LAW AND COMMITTED GRAVE ABUSE OF DISCRETION AMOUNTING TO LACK OF JURISDICTION IN RULING THAT PETITIONERS'

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18 *Rollo*, pp. 43-44.
19 Id. at 45.
20 CA *rollo*, pp. 528-547.
21 *Rollo*, pp. 48-49.

EMPLOYMENT IS FOR A FIXED PERIOD CO-TERMINOUS WITH A PROJECT WHEN THERE IS NO PROJECT TO SPEAK OF

IV

THE HON. COURT OF APPEALS PALPABLY ERRED IN LAW IN RULING THAT THE STIPULATION IN CONTRACT IS GOVERNING AND NOT THE NATURE OF EMPLOYMENT AS DEFINED BY LAW.[22]

The petitioners maintain that the nature of employment in Innodata had been settled in *Villanueva v. National Labor Relations Commission (Second Division)*[23] and *Servidad v. National Labor Relations Commission*,[24] whereby the Court accorded regular status to the employees because the work they performed were necessary and desirable to the business of data encoding, processing and conversion.[25] They insist that the CA consequently committed serious error in not applying the pronouncement in said rulings, thereby ignoring the principle of *stare decisis* in declaring their employment as governed by the contract of employment; that the CA also erroneously found that the engagement of the petitioners was coterminous with the project that was nonexistent; that Innodata engaged in "semantic interplay of words" by introducing the concept of "fixed term employment" or "project employment" that were not founded in law;[26] and that Article 280 of the *Labor Code* guarantees the right of workers to security of tenure, which rendered the contracts between the petitioners and Innodata meaningless.[27]

In refutation, Innodata insists that the contracts dealt with in *Villanueva* and *Servidad* were different from those entered into by the petitioners herein,[28] in that the former contained stipulations that violated the provisions of the *Labor Code* on probationary employment and security of tenure,[29] while the latter contained terms known and explained to the petitioners who then willingly signed the same;[30] that as a mere service provider, it did not create jobs because its operations depended on the availability of job orders or undertakings from its client;[31] that Article 280 of the *Labor Code* allowed "term employment" as an exception to security of tenure; and that the decisive determinant was the day certain agreed upon by the parties, not the activities that the employees were called upon to perform.[32]

Were the petitioners regular or project employees of Innodata?

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22 Id. at 14.
23 G.R. No. 127448, September 10, 1998, 295 SCRA 326.
24 G.R. No. 128682, March 18, 1999, 305 SCRA 49.
25 *Rollo*, p. 18.
26 Id. at 27-28.
27 Id. at 30-31.
28 Id. at 186-188.
29 Id. at 192-193.
30 Id. at 195.
31 Id. at 197-198.
32 Id. at 199-200.

Ruling of the Court

We deny the petition for review on *certiorari*.

I
Stare decisis does not apply where the facts are essentially different

Contrary to the petitioners' insistence, the doctrine of *stare decisis*, by which the pronouncements in *Villanueva* and *Servidad* would control the resolution of this case, had no application herein.

The doctrine of *stare decisis* enjoins adherence to judicial precedents.[33] When a court has laid down a principle of law as applicable to a certain state of facts, it will adhere to that principle and apply it to all future cases in which the facts are substantially the same; but when the facts are essentially different, *stare decisis* does not apply because a perfectly sound principle as applied to one set of facts might be entirely inappropriate when a factual variance is introduced.[34]

Servidad and *Villanueva* involved contracts that contained stipulations not found in the contracts entered by the petitioners. The cogent observations in this regard by the CA are worth reiterating:

> A cursory examination of the facts would reveal that while all the cases abovementioned involved employment contracts with a fixed term, the employment contract subject of contention in the *Servidad* and *Villanueva* cases provided for *double probation*, meaning, that the employees concerned, by virtue of a clause incorporated in their contracts, were made to remain as probationary employees even if they continue to work beyond the six month probation period set by law. Indeed, such stipulation militates against Constitutional policy of guaranteeing the tenurial security of the workingman. To Our mind, the provision alluded to is what prodded the Supreme Court to disregard and nullify altogether the terms of the written entente. Nonetheless, it does not appear to be the intendment of the High Tribunal to sweepingly invalidate or declare as unlawful all employment contracts with a fixed period. To phrase it differently, the said agreements providing for a one year term would have been declared valid and, consequently, the separation from work of the employees concerned would have been sustained had their contracts not included any unlawful and circumventive condition.
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> It ought to be underscored that unlike in the *Servidad* and *Villanueva* cases, the written contracts governing the relations of the

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[33] *Lazatin v. Desierto*, G.R. No. 147097, June 5, 2009, 588 SCRA 285, 293-294; citing *Fermin v. People*, G.R. No. 157643, March 28, 2008, 550 SCRA 132, 145.

[34] *Hacienda Bino/Hortencia Starke, Inc./Hortencia Starke v. Cuenca*, G.R. No. 150478, April 15, 2005, 456 SCRA 300, 309.

> respondent company and the petitioners herein do not embody such illicit stipulation.[35]

We also disagree with the petitioners' manifestation[36] that the Court struck down in *Innodata Philippines, Inc. v. Quejada-Lopez*[37] a contract of employment that was similarly worded as their contracts with Innodata. What the Court invalidated in *Innodata Philippines, Inc. v. Quejada-Lopez* was the purported fixed-term contract that provided for two periods – a fixed term of one year under paragraph 1 of the contract, and a three-month period under paragraph 7.4 of the contract – that in reality placed the employees under probation. In contrast, the petitioners' contracts did not contain similar stipulations, but stipulations to the effect that their engagement was for the fixed period of 12 months, to wit:

> 1. The EMPLOYER shall employ the EMPLOYEE and the EMPLOYEE shall serve the EMPLOYER in the EMPLOYER'S business as a MANUAL EDITOR on a fixed term only and for a fixed and definite period of twelve months, commencing on August 7, 1995 and terminating on August 7, 1996, x x x.[38]

In other words, the terms of the petitioners' contracts did not subject them to a probationary period similar to that indicated in the contracts struck down in *Innodata*, *Villanueva* and *Servidad*.

II
A fixed period in a contract of employment does not by itself signify an intention to circumvent Article 280 of the *Labor Code*

The petitioners argue that Innodata circumvented the security of tenure protected under Article 280 of the *Labor Code* by providing a fixed term; and that they were regular employees because the work they performed were necessary and desirable to the business of Innodata.

The arguments of the petitioners lack merit and substance.

Article 280 of the *Labor Code* provides:

> Art. 280. Regular and Casual Employment. - The provisions of written agreement to the contrary notwithstanding and regardless of the oral agreements of the parties, an employment shall be deemed to be regular where the employee has been engaged to perform activities which

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35 *Rollo*, pp. 42-43.
36 Id. at 555-562.
37 G.R. No. 162839, October 12, 2006, 504 SCRA 253.
38 *Rollo*, p. 217.

> are usually necessary or desirable in the usual business or trade of the employer except where the employment has been fixed for a specific project or undertaking the completion or termination of which has been determined at the time of the engagement of the employee or where the work or service to be performed is seasonal in nature and the employment is for the duration of the season.
>
> An employment shall be deemed casual if it is not covered by the preceding paragraph: Provided, That, any employee who has rendered at least one year of service, whether such service is continuous or broken, shall be considered a regular employee with respect to the activity in which he is employed and his employment shall continue while such actually exists.

The provision contemplates three kinds of employees, namely: (*a*) regular employees; (*b*) project employees; and (*c*) casuals who are neither regular nor project employees. The nature of employment of a worker is determined by the factors provided in Article 280 of the *Labor Code*, regardless of any stipulation in the contract to the contrary.[39] Thus, in *Brent School, Inc. v. Zamora*,[40] we explained that the clause referring to written contracts should be construed to refer to agreements entered into for the purpose of circumventing the security of tenure. Obviously, Article 280 does not preclude an agreement providing for a fixed term of employment knowingly and voluntarily executed by the parties.[41]

A fixed term agreement, to be valid, must strictly conform with the requirements and conditions provided in Article 280 of the *Labor Code*. The test to determine whether a particular employee is engaged as a project or regular employee is whether or not the employee is assigned to carry out a specific project or undertaking, the duration or scope of which was specified at the time of his engagement.[42] There must be a determination of, or a clear agreement on, the completion or termination of the project at the time the employee is engaged.[43] Otherwise put, the fixed period of employment must be knowingly and voluntarily agreed upon by the parties, without any force, duress or improper pressure being brought to bear upon the employee and absent any other circumstances vitiating his consent, or it must satisfactorily appear that the employer and employee dealt with each other on more or less equal terms with no moral dominance whatsoever being exercised by the former on the latter.[44]

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[39] *Villa v. National Labor Relations Commission,* G.R. No. 117043, January 14, 1998, 284 SCRA 105, 127.

[40] G.R. No. 48494, February 5, 1990, 181 SCRA 702.

[41] Id, at 716.

[42] *Violeta v. National Labor Relations Commission*, G.R. No. 119523, October 10, 1997, 280 SCRA 520, 528.

[43] Id.

[44] *Philippine National Oil Co.-Energy Dev't Corp. v. NLRC*, G.R. No. 97747, March 31, 1993, 220 SCRA 695, 699.

The contracts of the petitioners indicated the one-year duration of their engagement as well as their respective project assignments (*i.e.*, Jamias being assigned to the CD-ROM project; Cruz and Matuguinas to the TSET project).[45] There is no indication that the petitioners were made to sign the contracts against their will. Neither did they refute Innodata's assertion that it did not employ force, intimidate or fraudulently manipulate the petitioners into signing their contracts, and that the terms thereof had been explained and made known to them.[46] Hence, the petitioners knowingly agreed to the terms of and voluntarily signed their respective contracts.

That Innodata drafted the contracts with its business interest as the overriding consideration did not necessarily warrant the holding that the contracts were prejudicial against the petitioners.[47] The fixing by Innodata of the period specified in the contracts of employment did not also indicate its ill-motive to circumvent the petitioners' security of tenure. Indeed, the petitioners could not presume that the fixing of the one-year term was intended to evade or avoid the protection to tenure under Article 280 of the *Labor Code* in the absence of other evidence establishing such intention. This presumption must ordinarily be based on some aspect of the agreement other than the mere specification of the fixed term of the employment agreement, or on evidence *aliunde* of the intent to evade.[48]

Lastly, the petitioners posit that they should be accorded regular status because their work as editors and proofreaders were usually necessary to Innodata's business of data processing.

We reject this position. For one, it would be unusual for a company like Innodata to undertake a project that had no relationship to its usual business.[49] Also, the necessity and desirability of the work performed by the employees are not the determinants in term employment, but rather the "day certain" voluntarily agreed upon by the parties.[50] As the CA cogently observed in this respect:

> There is proof to establish that Innodata's operations indeed rests upon job orders or undertakings coming from its foreign clients. Apparently, its employees are assigned to projects – one batch may be given a fixed period of one year, others, a slightly shorter duration, depending on the estimated time of completion of the particular job or undertaking farmed out by the client to the company.[51]

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45 *Rollo*, pp. 217-219.
46 Id. at 195.
47 *Villa v. National Labor Relations Commission*, supra, note 39, at 128.
48 *Pakistan International Airlines Corporation v. Ople,* G.R. No. 61594, September 28, 1990, 190 SCRA 90.
49 *ALU-TUCP v. National Labor Relations Commission*, G.R. No. 109902, August 2, 1994, 234 SCRA 678, 684.
50 *Brent School, Inc. v. Zamora*, supra, note 40, at 710.
51 Supra note 1, at 45.

In fine, the employment of the petitioners who were engaged as project employees for a fixed term legally ended upon the expiration of their contract. Their complaint for illegal dismissal was plainly lacking in merit.

WHEREFORE, we **DENY** the petition for review on *certiorari*; **AFFIRM** the decision promulgated on July 31, 2002; and **ORDER** the petitioners to pay the costs of suit

SO ORDERED.

LUCAS P. BERSAMIN
Associate Justice

WE CONCUR:

MARIA LOURDES P. A. SERENO
Chief Justice

TERESITA J. LEONARDO-DE CASTRO
Associate Justice

ESTELA M. PERLAS-BERNABE
Associate Justice

ALFREDO BENJAMIN S. CAGUIOA
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