



SUPREME COURT OF THE PHILIPPINES
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**Republic of the Philippines
Supreme Court
Manila**

FIRST DIVISION

**SPOUSES HIPOLITO DALEN, SR. G.R. No. 194403
AND FE G. DALEN, EVERLISTA
LARIBA and the minor BEVERLY
T. LARIBA, MAGDALENA F. MARPAGA and the minors MIKE
ANTHONY and THOMIE MAE, both surnamed MARPAGA, AGNES
C. MOLINA and the minors SHEILA, SIMOUN, STEPHEN
JOHN and SHARON ANN, all surnamed MOLINA, EMMA C.
NAVARRO and the minors RAYMOND, MARAH, and RYAN all
surnamed NAVARRO, RUTH T. SULAM and the minor JEINAR
REECE T. SULAM**

Present:
BERSAMIN, C.J.,
Chairperson,
DEL CASTILLO,*
JARDELEZA,**
GESMUNDO, and
CARANDANG, JJ.

Petitioners,

- versus -

**MITSUI O.S.K. LINES and Promulgated:
DIAMOND CAMELLA, S.A., Respondent.**

JUL 24 2019

X-----

DECISION

CARANDANG, J.:

* On official leave.
** Acting Working Chairperson of the First Division.

Before this Court is a Petition for Review on *Certiorari*¹ under Rule 45 of the Rules of Court, assailing the Decision² dated July 20, 2010 and Resolution³ dated October 26, 2010 of the Court of Appeals (CA) in CA-G.R. SP No. 112551 filed by Sps. Hipolito Dalen, Sr. and Fe G. Dalen; Everlista Lariba and the minor Beverly T. Lariba; Magdalena F. Marpaga and the minors Mike Anthony and Thomie Mae, both surnamed Marpaga; Agnes C. Molina and the minors Sheila, Simoun, Stephen John and Sharon Ann, all surnamed Molina; Emma C. Navarro and the minors Raymond, Marah, and Ryan all surnamed Navarro; Ruth T. Sulam and the minor Jeinar Reece T. Sulam (Petitioners).

FACTS OF THE CASE

This case arose from a complaint for damages, plus attorney's fees filed by petitioners together with Teresa Derder and the minors Vinna Marie Derder, Bon Erik Derder, and Frances Karen Derder; Lolita Tolentino, minors Ann Brigitte Tolentino, Fe Clarin Tolentino, Elvido Tolentino, Jr., Sarah Mae Tolentino, and Farah Jane Tolentino; and Luz Marina Reyes and the minors Carolina Marie Rose Reyes and Rossmark Reyes who, however, did not join as parties in this petition for review, against Mitsui O.S.K. Lines and Diamond Camellia, S.A. (collectively, Respondents).⁴

Based on the records of the case, it was found that Mitsui O.S.K. Lines, a non-resident corporation, not doing business in the Philippines, was the charterer of MV Sea Prospect while Diamond Camellia, S.A., another non-resident corporation, not doing business in the Philippines, and of Panamanian registry is the registered owner of the said vessel.⁵

On January 1, 1998, Magsaysay Maritime Corporation (Magsaysay), the manning agent of the respondents in the Philippines, hired the following, among others, as crew members:

Name	Position
1. Rosadel Reyes	Captain
2. Simplicio Molina	Chief Engineer
3. Antonio Marpaga	First Engineer
4. Ramon Navarro	Second Engineer
5. Fonillo Derder	Second Engineer
6. Hipolito Dalen, Jr.	Oiler
7. Vicente Lariba, Jr.	Oiler
8. Elvido Tolentino	Oiler
9. Joey Sulam	Wiper

¹ *Rollo*, pp. 8-26.

² Penned by Associate Justice Remedios A. Salazar-Fernando, with Associate Justices Celia C. Librea-Leagogo and Michael P. Elbinias, concurring; *id.* at 284-295.

³ Penned by Associate Justice Remedios A. Salazar-Fernando, with Associate Justices Celia C. Librea-Leagogo and Michael P. Elbinias, concurring; *id.* at 311-312.

⁴ *Id.* at 43.

⁵ *Id.* at 47.

10. Donato Cabungcag	Chief Cook
11. Felix Makiling	Deck Chief
12. Tito Robillos	2 nd Officer
13. Ernesto Gambalan	3 rd Officer
14. Marlon Marasigan	Sailor
15. Eduardo Camacho	Radio Operator
16. Frederick Llanes	M/M ⁶

On or about August 15, 1998, MV Sea Prospect was making a regular traffic between Japan and Indonesia and arrived at the Port of Sebe, Indonesia in order to perform loading operations of nickle-ore. Prior to its arrival therein, it had been raining, hence, the nickle-ore was wet when loaded onboard MV Sea Prospect.⁷

On or about August 22, 1998, MV Sea Prospect headed to Japan. While there, or on August 26, 1998, weather was inclement and the vessel developed a list between 10 and 15 degrees to starboard. Upon inspection, it was found that the cargo was very wet so the Captain ordered to fill the ballast tanks, thus achieving the vessel's stability. He then ordered a change in the course of the vessel to the Island of Okinawa to seek refuge. While nearing the Island of Okinawa, the vessel listed again 3 to 5 degrees then to 90 degrees, taking water in the bridge, the engine stopping and the electric power being cut. After 30 minutes, MV Sea Prospect sunk, drowning 10 crew members, namely: (1) Rosadel Reyes; (2) Simplicio Molina; (3) Antonio Marpaga; (4) Ramon Navarro; (5) Fonillo Derder; (6) Hipolito Dalen, Jr.; (7) Vicente Lariba, Jr.; (8) Elvido Tolentino; (9) Joey Sulam; and (10) Donato Cabungcag. Eleven other crew members were saved and were brought to the Japanese ports including (1) Felix Makiling; (2) Tito Robillos; (3) Ernesto Gambalan; (4) Marlon Marasigan; (5) Eduardo Camacho; and (6) Frederick Llanes.⁸

Respondents alleged that on November 4, 1998, November 5, 1998 and December 10, 1998, petitioners who are heirs and beneficiaries of the missing seafarers received full payment of death benefits based on the employment contract as well as the International Transport Workers' Federation-Japan Seaman Union – Associated Marine Officers and Seafarers Union of the Philippines Collective Bargaining Agreement (CBA) governing the employment of the seafarers. Petitioners were accompanied by their counsel, Atty. Emmanuel Partido in signing the settlement agreements, affidavits of heirship and receipts of payment before the Overseas Workers Welfare Administration (OWWA).⁹

According to respondents, the contents of said documents were explained to petitioners, the pertinent provisions include:

- (a) The release of respondents from ALL liabilities, including those based from torts, arising from the death/disappearance of the crew members as a result of sinking of the vessel;

⁶ Id. at 47-48.

⁷ Id. at 48.

⁸ Id. at 49.

⁹ Id. at 289-290.

- (b) The Settlement Agreement may be pleaded as an ABSOLUTE and FINAL bar to any suit which may be filed by petitioners; and
- (c) The commitment by the petitioners that they will not file any claim or suit against respondents in ANY jurisdiction.¹⁰

Petitioners allegedly demanded in writing further compensation in connection with the sinking of the vessel and threatened that an action arising from tort would be commenced in Panama should their demand be unheeded. Hence, on February 26, 1999, respondents filed before the Regional Trial Court (RTC) of Manila, Branch 46, a Petition for Declaratory Relief and Approval of the Compromise/Settlement Agreement against petitioners. On July 9, 1999, petitioners filed the complaint for damages against respondents before the Admiralty Court of Panama. On September 28, 2000, respondent converted the petition for declaratory relief into an ordinary civil action for breach of contract and damages and prayed for the approval of the settlement agreement.¹¹

On August 23, 2004, the trial court issued an order confirming the validity of the settlement agreement, declaring that the petitioners breached the material provisions of the settlement agreement, and approved such settlement agreement. The Supreme Court of Panama, meanwhile, dismissed petitioners' case for lack of jurisdiction based on *forum non conveniens*.¹²

On July 18, 2002, the Labor Arbiter (LA) dismissed the complaint on the grounds of lack of jurisdiction over the persons of the respondents and prescription of action. According to the LA, summonses cannot be validly served upon the respondents being foreign corporations and not having transacted business in the Philippines.¹³ In this case, the action for damages is an action *in personam*, wherein jurisdiction over their person is necessary for the LA to validly try and decide their case. However, since they are non-residents, personal service of summonses within the Philippines is essential for the acquisition of jurisdiction over their persons.

Moreover, the LA found that the action filed by petitioners has already prescribed. The Labor Code provides that all money claims arising from employer-employee relationship accruing during the effectivity of this Code shall be filed within three years from the time the cause of action accrued. Here, the sinking of MV Sea Prospect occurred on August 26, 1998, they have three years to file their claim from such date. They filed their complaint on April 17, 2002 or more than three years therefrom.

However, the LA referred the case back to the Maritime Court of Panama where trial on the merits could be had and where any judgment in favor of petitioners could be sufficiently satisfied from the letter of guarantee issued by respondents. It held that contrary to the decision of the Supreme Court of Panama,

¹⁰ Id. at 335.

¹¹ Id. at 290.

¹² Id. at 290-291.

¹³ Id. at 68-69.



the Maritime Court of Panama is the forum in which the action may be most appropriately brought, considering the best interest of the parties.

The petitioners appealed to the National Labor Relations Commission (NLRC) but it was dismissed through a Resolution¹⁴ dated February 4, 2004.

Upon the filing of the Motion for Reconsideration, the NLRC issued a Resolution¹⁵ dated December 28, 2004 setting aside the earlier Resolution and directing the LA to serve summons to Magsaysay at its business address given to the Philippine Overseas Employment Administration (POEA) so that jurisdiction may be acquired over the persons of the respondents and proper proceedings can be held. The records were then remanded to the LA of origin for immediate action.¹⁶

Pursuant to this, the LA issued another Decision¹⁷ dated September 30, 2008 dismissing the complaint due to the execution of individual compromise agreements by petitioners waiving their rights against respondents. The LA had been aware of the fact that the trial court as well as the CA had affirmed the validity of the compromise agreements. Moreover, the petitioners received their full compensation under the contract and it was not found that the amount received were unconscionable and grossly disproportionate. It also did not appear that petitioners were defrauded or tricked into signing the same.¹⁸

Lastly, the LA found that the claim had already prescribed.¹⁹

Aggrieved, petitioners filed their appeal to the NLRC.

In a Decision²⁰ dated June 30, 2009, the NLRC dismissed the appeal saying that the claim, even if based on tort was already included in the quitclaims executed in favor of the respondents. It also held that prescription has already set in.²¹

Still aggrieved, petitioners filed a Petition for *Certiorari* to the CA which was dismissed in a Decision²² dated July 20, 2010 reiterating the ruling of the LA and NLRC that the complaint for damages was filed out of time and that the claim filed with the Admiralty Court of Panama did not toll the prescriptive period for filing a claim here in the Philippines.²³

¹⁴ Penned by Presiding Commissioner Roy V. Señeres, with Commissioner Romeo L. Go, concurring; id. at 107-109.

¹⁵ Penned by Presiding Commissioner Roy V. Señeres, with Commissioners Ernesto S. Dinopol and Romeo L. Go, concurring; id. at 139-141,

¹⁶ Id. at 140.

¹⁷ Penned by Labor Arbiter Dominador B. Medroso, Jr.; id. at 201-207.

¹⁸ Id. at 205-206.

¹⁹ Id. at 205.

²⁰ Penned by Presiding Commissioner Gerardo C. Nograles, with Commissioners Perlita B. Velasco and Romeo L. Go, concurring; id at 222-227.

²¹ Id. at 226.

²² Supra note 2.

²³ *Rollo*, p. 293.

Moreover, it was decided that the Settlement Agreement, Receipt and General Receipt and Release of Rights as well as the affidavits and certifications signed by the petitioners released the respondents from all liabilities, including those based on tort, arising from the death/disappearance of the crew members as a result of the sinking of the vessel. The settlement agreement may be pleaded as an absolute and final bar to any suit. Also, petitioners committed themselves not to file any claim against respondents in any jurisdiction.²⁴

Undaunted, petitioners filed a Motion for Reconsideration which was denied via a Resolution²⁵ dated October 26, 2010.

Hence, this petition.

ISSUES

The issues raised by petitioners are the following:

1. Whether petitioners' cause of action has prescribed; and
2. Whether the settlement agreement, receipt and general receipt and release of rights barred petitioners from filing the complaint.

OUR RULING

The Labor Arbiter has no jurisdiction over tort cases

Before going into the issues raised by the parties, it is necessary to first settle whether the claim for damages based on tort filed by petitioners before the LA was proper.

The Labor Code provides that:

Art. 224. [217] *Jurisdiction of Labor Arbiters and the Commission.* - x x x

x x x x

4. Claims for actual, moral, exemplary and other forms of damages arising from the employer-employee relations;

x x x x



Similarly, Section 10 of Republic Act No. 8042 or the Migrant Workers and Overseas Filipinos Act of 1995 provides:

Sec. 10. MONEY CLAIMS. - Notwithstanding any provision of law to the contrary, the Labor Arbiters of the National

²⁴

Id.

²⁵

Supra note 3.

Labor Relations Commission (NLRC) shall have the original and exclusive jurisdiction to hear and decide, within ninety (90) calendar days after filing of the complaint, the claims arising out of an employer-employee relationship or by virtue of any law or contract involving Filipino workers for overseas deployment including claims for actual, moral, exemplary and other forms of damages.

In deciding whether a case arises out of employer-employee relations, the Court formulated the “reasonable causal connection rule”, wherein if there is a reasonable connection between the claim asserted and the employer-employee relations, then the case is within the jurisdiction of the labor courts.²⁶

In this case, petitioners’ claim for damages is grounded on respondents’ gross negligence which caused the sinking of the vessel and the untimely demise of their loved ones.²⁷ Based on this, the subject matter of the complaint is one of claim for damages arising from quasi-delict, which is within the ambit of the regular court’s jurisdiction.

According to Article 2176 of the New Civil Code, “Whoever by act or omission causes damage to another, there being fault or negligence, is obliged to pay for the damage done. Such fault or negligence, if there is no pre-existing contractual relation between the parties, is called quasi-delict.”

Thus, to sustain a claim liability under quasi-delict, the following requisites must concur: (a) damages suffered by the plaintiff; (b) fault or negligence of the defendant, or some other person for whose acts he must respond; and (c) the connection of cause and effect between the fault or negligence of the defendant and the damages incurred by the plaintiff.²⁸

Here, petitioners argue that respondents are duty bound to exercise due diligence required by law in order to ensure the safety of the crew and all the passengers therein. It was further averred that the negligence on the part of the respondents is quite apparent when they allowed the vessel to load and transport wet cargo. For failure therefore to exercise extra ordinary diligence required of them, the respondents must be held liable for damages to the surviving heirs of the deceased crew members.²⁹ Notwithstanding the contractual relation between the parties, the act of respondents is a quasi-delict and not a mere breach of contract.

Where the resolution of the dispute requires expertise, not in labor management relations nor in wage structures and other terms and conditions of employment, but rather in the application of the general civil law, such claim falls outside the area of competence or expertise ordinarily ascribed to the LA and the NLRC.³⁰

²⁶ *Indophil Textile Mills, Inc. v. Adviento*, 740 Phil. 336, 346 (2014).

²⁷ *Rollo*, pp. 13-14.

²⁸ *Indophil Textile Mills, Inc. v. Adviento*, supra at 350.

²⁹ *Rollo*, pp. 20-21.

³⁰ *Id.*

Therefore, the LA has no jurisdiction over the case in the first place; it should have been filed to the proper trial court.

The Settlement Agreements signed by petitioners were valid.

Notwithstanding the lack of jurisdiction of the LA to take cognizance of the case, petitioners still cannot file the complaint with the trial court because the Settlement Agreement signed by them was valid.

It is true that quitclaims and waivers are oftentimes frowned upon and are considered as ineffective in barring recovery for the full measure of the worker's rights and that acceptance of the benefits therefrom does not amount to estoppel.³¹ The reason is plain. The employer and employee, obviously, do not stand on the same footing.³² However, not all waivers and quitclaims are invalid as against public policy. If the agreement was voluntarily entered into and represents a reasonable settlement, it is binding on the parties and may not later be disowned simply because of change of mind. It is only where there is clear proof that the waiver was wangled from an unsuspecting or gullible person, or the terms of the settlement are unconscionable on its face, that the law will step in to annul the questionable transaction. But where it is shown that the person making the waiver did so voluntarily, with full understanding of what he was doing, and the consideration for the quitclaim is credible and reasonable, the transaction must be recognized as a valid and binding undertaking.³³

In this case, it should be noted that when petitioners signed the Settlement Agreements, they did it with their counsel of choice. It could be said that they brought their counsel along to make sure that they would understand the contents of the agreements and that they are not tricked into signing the same. A lawyer would know whether the agreement is unreasonable and one-sided on its face.

Second, the agreement provides for the "release of respondents from all liabilities including those based from torts, arising from the death/disappearance of the crewmembers as a result of the sinking of the vessel."³⁴ Hence, even claims arising from quasi-delict would be barred as shown in the blanket waiver of right to sue.

Moreover, petitioners failed to substantiate their claim that they received less of what they are really entitled to based on said Settlement Agreements. They wanted the Court to believe that since their cause of action is for damages and what they received in accordance with the Settlement Agreement was only those under the POEA Standard Employment Contract and the overriding CBA, then they are not barred from filing the instant complaint. Petitioners are misled. As discussed above, the Settlement Agreement signed by petitioners are comprehensive enough to include even causes of action arising from quasi-delict.

³¹ *Galicia v. NLRC*, 342 Phil. 342, 348 (1997).

³² *Lopez Sugar Corp. v. Federation of Free Workers*, 267 Phil. 212, 227 (1990).

³³ *Periquet v. NLRC*, 264 Phil. 1115, 1122 (1990).

³⁴ *Rollo*, p. 340.



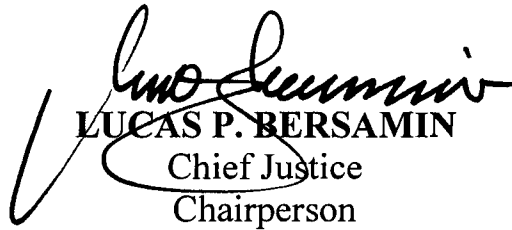
Having settled that petitioners may no longer pursue their claim for quasi-delict based on the grounds discussed above, it is not necessary to consider herein the issue on prescription of action.

WHEREFORE, the instant petition is **DENIED**. The Decision dated July 20, 2010 and Resolution dated October 26, 2010 of the Court of Appeals in CA-G.R. SP No. 112551 are **AFFIRMED**.


SO ORDERED.


ROSMAR D. CARANDANG
Associate Justice

WE CONCUR:


LUCAS P. BERSAMIN
Chief Justice
Chairperson

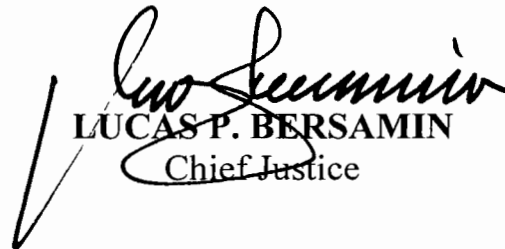
(on official leave)
MARIANO C. DEL CASTILLO
Associate Justice


FRANCIS H. JARDELEZA
Associate Justice


ALEXANDER G. GESMUNDO
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.



LUCAS P. BERSAMIN
Chief Justice