Republic of the Philippines
Supreme Court
Manila

THIRD DIVISION

TECHNICAL EDUCATION AND SKILLS DEVELOPMENT AUTHORITY (TESDA),
Petitioner,

- *versus* -

ERNESTO ABRAGAR,
Respondent.

G.R. No. 201022

Present:
LEONEN, *J.,*
Chairperson,
HERNANDO,
INTING,
DELOS SANTOS, and
LOPEZ, J. Y., *JJ.*

Promulgated:

March 17, 2021

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DECISION

HERNANDO, *J.*:

This Petition for Review on *Certiorari*[1] challenges the March 13, 2012 Decision[2] of the Court of Appeals (CA) in CA-G.R. SP No. 106253 which annulled the June 30, 2008[3] and August 29, 2008[4] Resolutions of the National Labor Relations Commission (NLRC) in NLRC NCR CA No. 043526-05 that granted petitioner Technical Education and Skills Development Authority's (TESDA) *Appeal Memorandum in Intervention*[5] in the said case.

The Factual Antecedents:

On April 29, 2003, respondent Ernesto Abragar (Abragar) filed a complaint[6] before the Regional Arbitration Branch of the NLRC in San Fernando City, Pampanga for underpayment and non-payment of

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1 *Rollo*, pp. 9-34.
2 Id. at 35-50; penned by Associate Justice Amelita G. Tolentino and concurred in by Associate Justices Ramon R. Garcia and Samuel H. Gaerlan (now a Member of this Court).
3 CA *rollo*, pp. 38-50.
4 Id. at 52-53.
5 NLRC records, Vol. I, pp. 189-196.
6 Id. at 1.

salaries/wages, service incentive leave, and 13th month pay against a certain Marble Center (used interchangeably with the "Marble Training Center" or "Marble Production Training Center"; hereinafter referred to as the Center) with address at TESDA, Guiguinto, Bulacan, and his supervisor, Philip Bronio (Bronio). Summons was served on the said parties *via* registered mail at the abovementioned address.[7] An amended complaint[8] was later filed to include constructive dismissal, non-payment of separation pay and retirement pay, and payment of damages and attorney's fees.

During the mandatory conference, Bronio appeared as the apparent representative of the Center and both parties were encouraged to settle the case amicably.[9] When no amicable settlement was reached, the mandatory conference was terminated and the parties were ordered to file their respective position papers.[10]

In his Position Paper,[11] Abragar described the Center as a corporation organized and existing in accordance with Philippine laws. He alleged that the Center's address is the TESDA Compound in Tabang, Guiguinto, Bulacan. He further claimed that he was hired in September 1997 as a marble operator for the Center and was tasked to cut and trim marbles in accordance with the prescribed orders, until sometime in December 2002 when the Center suddenly cut down his working days from six to twice or thrice a week, without giving him the usual salary he received for the week. Also, his 13th month pay was reduced despite his pleas that he be allowed to maintain his former work schedule. Respondent claimed that the reduction of his work schedule and pay amounted to constructive dismissal.

On the other hand, the Center and Bronio failed to submit their position paper and thus were deemed to have waived their right to present evidence. [12]

In a July 30, 2004 Decision,[13] the Labor Arbiter (LA) found that Abragar was constructively dismissed and granted his claim for unpaid salaries, service incentive leave, and 13th month pay. The dispositive portion of the Decision reads:

> WHEREFORE, premises considered, judgment is hereby rendered declaring illegal complainant's dismissal. Consequently, respondents are hereby held liable and ordered to pay complainant's separation pay as prayed for by him in lieu of reinstatement in the amount of P28,730.00 and backwages in the sum of P109,174.00.

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7 Id. at 2.
8 Id. at 5.
9 Id. at 20.
10 Id. at 21.
11 Id. at 23-26.
12 Id. at 20, 27.
13 Id. at 36-41.

> Respondents are likewise ordered to pay complainant's salary differential in the sum of P17,492.67, service incentive leave pay of P3,007.50 and 13th month pay of P5,746.00.
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> All other claims are hereby dismissed for lack of merit.
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> SO ORDERED.[14]

There being no appeal filed within the reglementary period, Abragar moved for the issuance of a writ of execution to carry out the aforementioned decision.[15]

On December 29, 2004, Bronio filed a Motion for Reconsideration[16] before the LA insisting that there was no employer-employee relationship between Abragar and the Center. He asserted that the Center is a mere cooperative and training center of TESDA under the cooperation of the Department of Trade and Industry (DTI), Provincial Government of Bulacan. The Center merely serves as a training ground for workers who intend to work in the private sector upon completion of the training courses under TESDA. However, no action was taken on the said motion.

Thus, on January 25, 2005, Bronio filed a Petition for Relief from Judgment,[17] where he reiterated that the Center is a non-juridical entity but a mere training facility run by TESDA and created pursuant to a Memorandum of Agreement (MOA)[18] executed by and among the DTI, the Provincial Government of Bulacan, the Marble Association of the Philippines (MAP), the National Manpower and Youth Council (now renamed TESDA; hereinafter referred to collectively as the MOA Parties). Under the MOA, the said parties undertook to pool and share their resources, facilities, and expertise for the establishment of a functional marble production and training center. Moreover, Bronio alleged that he is merely an employee and trainor-supervisor of MAP and thus cannot be held liable for any of the acts of the Center, and that respondent is not an employee but a trainee of the Center.

Abragar filed an Opposition[19] thereto, and the petition was referred to the NLRC.

In a June 30, 2006 Resolution,[20] the NLRC dismissed the petition for relief from judgment. It held that since no appeal was filed against the LA Decision by Bronio and the Center, it already became final and executory. No

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14 Id. at 41.
15 Id. at 47-49.
16 Id. at 53-57.
17 Id. at 59-64.
18 Id. at 65-70.
19 Id. at 79-83.
20 Id. at 99-103.

appeal was filed in connection with the said resolution; thus, an Entry of Judgment[21] of the LA's July 30, 2004 Decision was issued by the NLRC.

Execution of the LA Decision:

The LA thereafter issued a Writ of Execution[22] directing the sheriff to enforce the July 30, 2004 Decision by proceeding to the premises of Marble Center and Bronio located at TESDA, Guiguinto, Bulacan and collect the total judgment amount. Upon failure to collect the same, the sheriff was directed to cause the full satisfaction of the same from the properties of Marble Center and Bronio that are not exempt from execution.[23] However, the sheriff reported that he and Abragar were denied entry by security into the premises of the Center in the TESDA Compound when they tried to levy on the movable properties of the Center.[24] Thus, Abragar filed a Motion (For Issuance Of A Break Open Order. [25]

On June 14, 2007, Bronio filed a Motion to Quash the Writ of Execution[26] which Abragar opposed on the ground that the Decision of the NLRC is already final and executory and must be carried out without further delay.[27]

TESDA's Appeal Memorandum in Intervention:

On September 25, 2007, petitioner TESDA filed an *Appeal Memorandum in Intervention*[28] with the NLRC praying for the quashal of the writ of execution and break-open order issued by the LA and for the remand of the case to the LA for further proceedings. Petitioner, in substance, alleged that (a) the Center is a marble processing facility run by TESDA and a non-juridical entity without capacity to sue or be sued; (b) the Center is a joint undertaking formed pursuant to the aforementioned MOA agreed upon among the MOA Parties that pooled their resources for the conduct of training and job induction programs for TESDA applicant-trainees; (c) the writ of execution and break-open order, while directed at "respondents Marble Center & Philip Bronio at TESDA, Guiguinto, Bulacan," was actually directed at TESDA as the former's address is clearly the address of TESDA and occupied exclusively by the said agency; (d) Bronio was the caretaker and supervisor assigned by MAP to oversee the resources and facilities in the Center; and (e) despite the aforementioned facts; it was never notified nor impleaded in the case. Thus, TESDA alleged that the LA committed grave abuse of discretion

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21 Id. at 107.
22 Id. at 126-129.
23 Id. at 126-128.
24 Id. at 130.
25 Id. at 131-134.
26 Id. at 143-147.
27 Id. at 172-177.
28 Id. at 189-196.

when he grossly misappreciated the facts of the case and issued the appealed decision, the writ of execution and break-open order, which if not corrected, would cause grave injury to TESDA.[29]

Abragar filed an Opposition[30] thereto and alleged that the same must be denied outright for failure to comply with procedural requirements. He likewise insists that TESDA slept on its right to appeal and that the said Order had long become final and executory. Abragar averred that, in any case, TESDA will not be affected by the execution of the LA's July 30, 2004 Decision and thus has no right to intervene.

The NLRC in a June 30, 2008 Resolution[31] gave due course to TESDA's appeal in intervention. The *fallo* of the Resolution reads:

> WHEREFORE, the appeal of TESDA is GRANTED. The assailed decision is VACATED and SET ASIDE. The corresponding writ of execution is QUASHED and the order to break open issues pursuant thereto is also VACATED and SET ASIDE. Complainant is directed to amend his complaint to implead the real parties in interest. The case is hereby REMANDED for further appropriate proceedings.
>
> SO ORDERED. [32]

In so ruling, the NLRC cited Article 221 of the Labor Code which provides that technical rules are not binding and that the LA shall use every and all reasonable means to ascertain the facts in each case speedily and objectively and without regard to technicalities of law or procedure, in the interest of due process, and Section 218(c) of the Labor Code which empowers the NLRC to direct parties to be joined in or excluded from the proceedings, correct, amend, or waive any error, defect or irregularity, whether in substance or in form, give all such direction as it may deem necessary and expedient in the determination of the dispute. The NLRC noted that TESDA's *Appeal Memorandum in Intervention*, while peculiar, is impressed with substantial allegations that if proven true would result to a clear denial of due process and miscarriage of justice.[33]

Moreover, the NLRC stressed that nothing on record shows that the Center is a juridical person authorized to be made a party to any case as it is not clothed with legal personality to be sued, and the question remained on how it can be held liable for illegal dismissal and payment of money claims. Thus, the NLRC held that the real parties-in-interest appear to be TESDA, DTI, the Provincial Government of Bulacan and the MAP, which should be joined as parties even if only alternatively, conformably with Rule 3, Sections

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29 Id.
30 Id. at 203-210.
31 CA *rollo*, pp. 38-50.
32 Id. at 49.
33 Id. at 46-47.

1 and 2 of the Rules of Court. The NLRC thereafter noted that the assailed order was void which can never attain finality.[34]

Respondent moved for reconsideration,[35] which was denied by the NLRC.[36] Entry of judgment of the August 29, 2008 Resolution was issued on December 10, 2008.

Proceedings in the Court of Appeals:

Aggrieved, respondent filed a Petition for *Certiorari*[37] before the CA assailing the June 30, 2008 and August 29, 2008 Resolutions of the NLRC. The Office of the Solicitor General on behalf of TESDA filed a Comment thereto.

In a March 13, 2012 Decision,[38] the CA reversed and set aside the NLRC's Resolutions dated June 30, 2008 and August 29, 2008. The dispositive portion of the CA Decision reads:

> **WHEREFORE**, the petition is **GRANTED**. Accordingly, the resolutions dated June 30, 2008 and August 29, 2008, of the public respondent NLRC are **NULLIFIED** and **SET ASIDE**. Accordingly, the decision of the Labor Arbiter dated July 30, 2004 is **REINSTATED.**
>
> **SO ORDERED.**[39]

The appellate court opined that the failure of the Center and Bronio to perfect their appeal in the manner and within the period fixed by law rendered the July 30, 2004 Decision of the LA and the June 30, 2006 Resolution which dismissed the petition for relief from judgment final and executory. Moreover, the appellate court stressed that the Revised Rules of Court which apply suppletorily to labor cases provide that a motion to intervene may be filed any time before rendition of judgment by the trial court. Thus, TESDA should have filed its pleading in intervention with the Regional Arbitration Branch and before the rendition of the LA's July 30, 2004 Decision instead of filing the same three years and one month from the said decision, when the LA's July 30, 2004 Decision and the resolution dismissing the petition for relief had long become final and executory. Hence, this Petition.

Issue

The fundamental issue for resolution is whether the CA erred in annulling the NLRC's grant of petitioner's *Appeal Memorandum in Intervention.*

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34 Id. at 47-49.
35 Id. at 142-149.
36 Id. at 52-53.
37 Id. at 8-36.
38 *Rollo*, pp. 35-50.
39 Id. at 49.

Our Ruling

The petition has merit.

The Center has no juridical personality and thus has no legal capacity to be sued. Hence, the indispensable parties should be impleaded in the proceedings.

Petitioner argues that the Center against whom the labor complaint was filed below is not a juridical entity nor authorized by law to sue or be sued but merely a training and skill development facility operated by petitioner in TESDA's premises pursuant to the MOA. Accordingly, since only natural or juridical persons, or entities authorized by law may be parties in a civil action and the joinder of indispensable parties is mandatory, the Center should not have been impleaded as a party to the complaint below. Instead, the parties who created it should have been impleaded as party-respondents in the labor complaint below as indispensable parties.[40]

On the other hand, respondent contends that petitioner's claim that the Center is a non-juridical entity with no legal personality to sue or be sued is a belated claim raised for the first time on appeal. Thus, it should not be entertained because it would be unjust for a third person to be allowed to circumvent labor laws by claiming that a person or company who acted as an employer is a non-juridical entity which cannot sue or be sued. Further, respondent maintains that petitioner's claim that it is an indispensable party is misleading. Respondent points out that his claims are borne by the existing employer-employee relationship between the Center and respondent, and that the terms and conditions of the MOA surrounding the creation of Marble Center are not binding as to him since he was not privy to the same.[41]

We rule for petitioner.

Sections 1 and 2, Rule 3 of the Rules of Court mandate that only natural or juridical persons, or entities authorized by law may be parties in a civil action and every action must be prosecuted and defended in the name of the real parties-in-interest.[42] In connection thereto, in *Litonjua Group of*

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40 Id. at 9-34.

41 Id. at 106-112.

42 RULES OF COURT, Rule 3, Sections 1 and 2 provide:

Section 1. Who may be parties; plaintiff and defendant. – Only natural or juridical persons, or entities authorized by law may be parties in a civil action. xxxx

Section 2. Parties in interest. – A real party in interest is the party who stands to be benefited or injured by the judgment in the suit, or the party entitled to the avails of the suit. Unless otherwise authorized by law or these Rules, every action must be prosecuted in the name of the real party in interest.

Companies v. Vigan,[43] this Court found that the Litonjua Group of Companies, which therein respondent sought to hold solidarily liable for illegal dismissal, was not a legal entity with juridical personality and hence could not be held a party to the suit.[44] Similarly, the Center which respondent seeks to hold liable has no juridical personality nor is it an entity authorized by law to be a party to any action; it has no legal capacity to sue or be sued and should not have been impleaded as defendant in the instant case.

Respondent, to bolster his claim, alleged that it would be unjust for a third person to be allowed to circumvent labor laws by claiming that a person or company who acted as an employer is a non-juridical entity which cannot sue or be sued. To be sure, the Court, in the interest of preventing injustice and unfairness, has previously prevented non-existent corporations from raising its lack of juridical personality as a means to avoid fulfillment of its contracts or obligations by applying the doctrine of corporation by estoppel. This doctrine has been codified in Section 20 of the Corporation Code, which provides that all persons who assume to act as a corporation knowing it to be without the authority to do so shall be liable as general partners for all debts, liabilities, and damages incurred or arising as a result thereof.

However, the attendant circumstances do not call for the application of the said doctrine. While the Center appears to be managed by TESDA in collaboration with MAP and involves a pooling of resources by the DTI, TESDA, Provincial Government of Bulacan, and MAP, a careful review of the records fails to show that the MOA Parties represented that the Center had its own juridical personality in its dealings with respondent or third persons. In fact, as pertinently alleged by petitioner, the employment contract submitted by respondent in evidence was with MAP Multi-Purpose Cooperative Incorporated. [45]

Moreover, this Court is not inclined to rule that TESDA and the other parties to the MOA shall be held liable as general partners to respondent's claims against the Center for non-payment of wages, benefits, and illegal dismissal without giving them their day in court. It is a basic tenet of due process of law that a person cannot be prejudiced by a ruling rendered in an action or proceeding in which he was not made a party.[46] In the context of administrative proceedings, due process refers to an opportunity to explain one's side or an opportunity to seek reconsideration of the action or ruling complained of. [47] It would also be wholly unjust to consider Bronio's appearance in the proceedings below as sufficient compliance with this due process requirement insofar as the MOA parties are concerned. Relevantly, the pleadings filed by Bronio in the proceedings below which purported to

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43 412 Phil. 627 (2001).
44 Id. at 636-637.
45 CA *rollo*, p. 159; NLRC records, Volume II, p. 150.
46 *Aguilar v. O'Pallick*, 715 Phil. 453 (2013).
47 *Heirs of Dela Corta, Sr. v. Alag-Pitogo*, G.R. No. 226863, February 19, 2020.

represent himself and the Center was signed only by himself. The records are likewise devoid of any indication that Bronio was authorized to attend the hearings on behalf of any of the MOA Parties or if such authority was ascertained by the labor tribunals during the proceedings below. As previously alleged by Bronio himself, he was a mere employee and trainor-supervisor of MAP tasked to supervise the operations of the Center.

Given the foregoing, the proper remedy in this case is the joinder of the proper parties.[48] In connection thereto, the mandatory rule on joinder of indispensable parties is set forth in Section 7, Rule 3 of the Rules of Court, to wit:

> SEC. 7. *Compulsory joinder of indispensable parties.* - Parties in interest without whom no final determination can be had of an action shall be joined either as plaintiffs or defendants.

"Indispensable parties are parties whose legal presence in the proceeding is so necessary that 'the action cannot be finally determined' without them because their interests in the matter and in the relief are so bound up with that of the other parties."[49] This Court has previously laid down the test to determine if a party is an indispensable party, thus:

> An indispensable party is a party who has an interest in the controversy or subject matter that a final adjudication cannot be made, in his absence, without injuring or affecting that interest, a party who has not only an interest in the subject matter of the controversy, but also has an interest of such nature that a final decree cannot be made without affecting his interest or leaving the controversy in such a condition that its final determination may be wholly inconsistent with equity and good conscience. It has also been considered that an indispensable party is a person in whose absence there cannot be a determination between the parties already before the court which is effective, complete, or equitable. Further, an indispensable party is one who must be included in an action before it may properly go forward.
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> A person is not an indispensable party, however, if his interest in the controversy or subject matter is separable from the interest of the other parties, so that it will not necessarily be directly or injuriously affected by a decree which does complete justice between them. Also, a person is not an indispensable party if his presence would merely permit complete relief between him and those already parties to the action, or if he has no interest in the subject matter of the action. It is not a sufficient reason to declare a person to be an indispensable party that his presence will avoid multiple litigation.[50]

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[48] RULES OF COURT, Sections 11, Rule 3 of the Rules of Civil Procedure provides:
Section 11. *Misjoinder and non-joinder of parties.* — Neither misjoinder nor non-joinder of parties is ground for dismissal of an action. **Parties may be dropped or added by order of the court on motion of any party or on its own initiative at any stage the action and on such terms as are just.** Any claim against a misjoined party may be severed and proceeded with separately. (11a) [Emphasis supplied]

[49] *Heirs of Dela Corta, Sr. v. Alag-Pitogo*, supra note 46.

[50] Id., citing *Regner v. Logana,* 562 Phil. 862, 875-876 (2007).

Applying the foregoing test, the Court finds that the MOA Parties are indispensable parties as their interest in the controversy is such that a final adjudication cannot be made in their absence, without injuring or affecting their interest. As alleged by respondent himself, his claims are anchored in his employer-employee relationship with the Center. In view of the lack of juridical personality of the Center, any judgment in favor of respondent against the Center would have to be enforced against the properties contributed by the MOA Parties. A perusal of the MOA shows that DTI contributed pre-operating expenses, machinery, and consumables required for training and marble processing; the Provincial Government of Bulacan allowed the use of its provincial lot where the Center operates to TESDA for training purposes, and which TESDA in turn earmarked for the Center's operations; and MAP provides supplies and materials for training and skills testing.

Further, under the MOA, TESDA is in charge of organizing the conduct of training and job induction programs, entrepreneurship development training, as well as supervising and coordinating all training-related activities, while MAP is mandated to oversee the efficient implementation of the activities under the Project Work Plan of TESDA, ensure the efficient implementation of activities contained therein, manage the Center operations, and provide supplies and materials for training and skills testing.

Verily, the interest of the MOA Parties in the subject matter of the suit and in the relief sought are so inextricably intertwined such that their legal presence as a party to the proceedings is an absolute necessity. While we wish to abide by the mandate on speedy disposition of cases, more so considering that what is involved here is the welfare of a worker, we cannot allow a judgment that would ultimately be enforced against one or more of the MOA Parties without giving them their day in court. To do so will result in a possible violation of due process. Their inclusion is necessary for the effective and complete resolution of the case and in order to accord all parties the benefit of due process and fair play.

There are two consequences of a finding on appeal that indispensable parties have not been joined. First, all subsequent actions of the lower courts are null and void for lack of jurisdiction; second, the case should be remanded to the trial court for the inclusion of indispensable parties.[51] Considering the foregoing, the CA erred in setting aside the NLRC's grant of petitioner's *Appeal Memorandum in Intervention.*

The failure to implead TESDA and the other parties to the MOA renders the proceedings void, which may be questioned at any time.

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[51] *Florete, Jr. v. Florete,* 778 Phil. 614, 652 (2016).

Abragar asserts that petitioner's *Appeal Memorandum in Intervention* was filed way beyond the period allowed by law and the LA Decision had already become final and executory. On the other hand, TESDA asserts that the failure to implead petitioner, among others, renders the Decision dated July 30, 2004 of the LA, writ of execution, and break-open order null and void for want of authority, which may be attacked in any way at any time, even when no appeal is taken.

We agree with petitioner.

The joinder of all indispensable parties is a condition *sine qua non* for the exercise of judicial power. While the failure to implead an indispensable party is not *per se* a ground for the dismissal of an action, considering that said party may still be added by order of the court, on motion of the party or on its own initiative at any stage of the action and/or such times as are just, it remains essential — *as it is jurisdictional* — that any indispensable party be impleaded in the proceedings *before the court renders judgment.*[52] The absence of an indispensable party renders all subsequent actions of the court null and void for want of authority to act, not only as to the absent parties but even as to those present.[53]

A void judgment is in effect no judgment at all, and all acts performed under it and all claims flowing out of it are void. The judgment is vulnerable to attack even when no appeal has been taken, and does not become final in the sense of depriving a party of his right to question its validity.[54]

Thus, the failure to implead petitioner and the other parties to the MOA renders the July 30, 2004 Decision of the LA, writ of execution, and break-open order null and void for want of authority, which may be attacked in any way at any time, even when no appeal is taken. It is immaterial that petitioner filed the *Appeal Memorandum in Intervention* after the LA judgment became allegedly final and executory, since a judgment void *ab initio* is non-existent and thus cannot acquire finality.

WHEREFORE, the Petition is **GRANTED**. The assailed March 13, 2012 Decision of the Court of Appeals in CA-G.R. SP No. 106253 is hereby **REVERSED** and **SET ASIDE.** Let the case be **REMANDED** to the Regional Arbitration Branch of the National Labor Relations Commission in San Fernando City, Pampanga for the inclusion of Technical Education and Skills Development Authority, Department of Trade and Industry, Marble Association of the Philippines, and the Provincial Government of Bulacan, as parties-respondents and for further proceedings.

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52 *Id.*

53 *Fernando v. Paguyo,* G.R. No. 237871, September 18, 2019.

54 *Lingkod Manggagawa sa Rubberworld v. Rubberworld,* 542 Phil. 213 (2007).

SO ORDERED.

RAMON PAUL L. HERNANDO
Associate Justice

WE CONCUR:

MARVIC M. V. F. LEONEN
Associate Justice
Chairperson

HENRI JEAN PAUL B. INTING
Associate Justice

EDGARDO L. DELOS SANTOS
Associate Justice

JHOSEP Y. LOPEZ
Associate Justice

ATTESTATION

I attest that conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

MARVIC M. V. F. LEONEN
Associate Justice
Chairperson

CERTIFICATION

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

DIOSDADO M. PERALTA
Chief Justice