



Republic of the Philippines
Supreme Court
Manila

SECOND DIVISION

**NUEVA ECIJA II ELECTRIC
COOP., INC. (NEECO AREA
II), represented by its General
Manager, RAMON M. DE
VERA,**

Petitioner,

-versus-

WILFREDO S. PALMA,
Respondent.

**G.R. No. 256393 [Formerly
UDK-16873]**

Present:

LEONEN, *S.A.J.*, Chairperson,
LAZARO-JAVIER,
LOPEZ, M.,
LOPEZ, J., and
KHO, JR., *JJ.*

Promulgated:

NOV 13 2023

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DECISION

M. LOPEZ, J.:

The present Petition for Review on *Certiorari*¹ assails Decision² dated the June 30, 2020 and the Resolution³ dated February 26, 2021 of the Court of Appeals (CA) in CA-G.R. SP No. 151134 which set aside the Order⁴ dated July 11, 2016 of the Regional Trial Court (RTC) and dismissed petitioner Nueva Ecija II Electric Cooperative, Inc. – Area II’s (NEECO II) Petition for Declaratory Relief.⁵

¹ *Rollo*, pp. 10–34.

² *Id.* at 38–50. Penned by Associate Justice Pablito A. Perez, with the concurrence of Associate Justices Stephen C. Cruz and Louis P. Acosta of the Twelfth Division, Court of Appeals, Manila.

³ *Id.* at 65–71. Penned by by Associate Justice Pablito A. Perez, with the concurrence of Associate Justices Gabriel T. Robeniol and Louis P. Acosta.

⁴ *Id.* at 179–185. The Order in Special Civil Case No. 100 was penned by Presiding Judge Christine Marie C. Capule of Branch 48, Regional Trial Court, San Fernando, Pampanga.

⁵ *Id.* at 72–103.

Antecedents

Sometime in 1992, the National Electrification Administration (NEA), a government-owned and controlled corporation supervising electric cooperatives in the Philippines, dissolved the Nueva Ecija Electric Cooperative III (NEECO III) and acquired its assets, consisting of land, building, electric distribution system, motor vehicles, and office equipment, by way of *dacion en pago*. Subsequently, NEA established petitioner NEECO II. On November 24, 2004, the National Electrification Commission granted NEECO II the permanent expansion franchise to operate in the area of the defunct NEECO III.⁶

On April 4, 2006, NEA sold the assets of NEECO III to NEECO II through a Deed of Conditional Sale for PHP 300 million, payable in 300 monthly installments for 25 years.⁷

On October 9, 2013,⁸ the National Labor Relations Commission's (NLRC) Office of the Labor Arbiter and Office of the Sheriff issued a Notice of Levy and Notice of Sale of Execution against the capital assets of NEECO III to answer for the PHP 83,000,000.00 monetary award in favor of the following former employees who filed illegal dismissal cases against NEECO III: Josephine Manuel et al. (NLRC Case No. RAB-III-09-2929-92); Vicente Legaspi (NLRC Case No. RAB-III-01-6768-96); Arnel Bernardo (NLRC Case No. RAB-III-12-3090-92); Edgardo Valerio et al. (NLRC Case No. RAB-III-02-2585-92 and NLRC Case No. RAB-III-03-2648-92). Respondent Wilfredo S. Palma (Palma) was one of the judgment creditors in NLRC Case No. RAB-III-09-2929-92.⁹

As the capital assets of NEECO III sought to be levied were in the possession of NEECO II pursuant to the Deed of Conditional Sale it executed with NEA, NEECO II filed a Petition for Declaratory Relief¹⁰ with the RTC on October 16, 2013 impleading as respondents NEA, the Office of the Labor Arbiter, the Office of the Sheriff of the NLRC, and the judgment creditors.

In its Petition, NEECO II sought the following declarations from the RTC: NEECO II bought the assets of NEECO III from NEA in good faith and for value; the capital assets sought to be levied are insulated from attachment; and the money paid by NEECO II for the purchase of the capital assets sought to be levied had attained the status of public funds.¹¹ NEECO II also prayed

⁶ *Id.* at 39, 87, 231.

⁷ *Id.* at 88.

⁸ "October 8, 2013" in some parts of the *rollo*.

⁹ *Rollo*, pp. 40, 94.

¹⁰ *Id.* at 72-103.

¹¹ *Id.* at 80-81.

J

for the issuance of injunctive reliefs to enjoin the Office of the Labor Arbiter and the sheriff from proceeding with the execution sale of the properties.¹²

In their Answer,¹³ NEECO III's former employees, represented by Eulinio Nagaño and Edgardo Valerio (Nagaño and Valerio), averred that based on the Labor Code, the RTC is prohibited from issuing injunctive orders to restrain the execution of decisions of the labor arbiter, a co-equal body.¹⁴ They also argued that NEECO II engaged in forum-shopping in filing the Petition for Declaratory Relief because the issues and subject matter involved in the Petition were the same as those in the proceedings before the labor arbiter.¹⁵

For its part, NEA argued that the levy of the assets of NEECO II would cause irreparable damage to the people of Nueva Ecija who are dependent on the power supply distributed by NEECO II. NEA also pointed out that NEECO II was not a party in the illegal dismissal cases filed by the employees of NEECO III with the Office of the Labor Arbiter. Thus, the sheriff's levy and sale of NEECO III's assets, which are now in the hands of NEECO II, lack legal basis.¹⁶

Ruling of the RTC

On November 4, 2013, the RTC issued a Writ of Preliminary Injunction¹⁷ in favor of NEECO II, enjoining the Office of the Labor Arbiter and the Office of the Sheriff from proceeding with the levy and sale of NEECO II's capital assets. Nagaño and Valerio filed a Motion for Reconsideration,¹⁸ but it was denied.¹⁹

Meanwhile, Palma and Jesus Fajardo, Jr. (Fajardo) filed a Motion to Dismiss²⁰ the Petition for Declaratory Relief on the grounds of lack of jurisdiction and forum shopping. They argued that NEECO II was guilty of forum shopping because the issues and the grounds it raised in their Petition for Declaratory Relief were the same as those it proffered in the proceedings before the labor arbiter.²¹ They also averred that under the principle of non-interference, the RTC has no jurisdiction to interfere with the labor arbiter's processes.²²

¹² *Id.* at 99–101.

¹³ *Id.* at 105–121.

¹⁴ *Id.* at 107.

¹⁵ *Id.* at 109–112.

¹⁶ *Id.* at 124–125.

¹⁷ *Id.* at 130–134.

¹⁸ *Id.* at 135–151.

¹⁹ *See id.* at 152–153, Order dated February 17, 2014

²⁰ *Id.* at 154–166.

²¹ *Id.* at 155–158.

²² *Id.* at 158–161.

In its Order²³ dated July 11, 2016, the RTC denied the Motion to Dismiss as follows:

Unfortunately, the cases involves[sic] different parties, transactions, facts and circumstances and there is no identical causes of action, subject matter[,] and issues. The main parties in this case are NEA and NEECO II Area II, while other respondents are only impleaded because of the levy made on the properties; the transaction, facts[,] and circumstances in this petition do not involve the labor case but the constructions and execution of the [D]eed of [C]onditional [S]ale and other facts related thereto. The cause of action in the labor case is illegal dismissal and non-payment of salary, bonuses[,] and allowances filed by the former employees of the defunct [NEECO III] while the subject matter of the [P]etition before this Court is the [D]eed of [C]onditional [S]ale which was filed by the parties thereto, NEECO II Area II, the buyer, against NEA, the seller. Hence, it cannot be said that there is forum shopping in this case.

Comes now the other ground of lack of jurisdiction, which this Court will discuss together with the third ground cited, which is that the decision and processes by the [L]abor [a]rbitrator (LA) cannot be the subject of a [p]etition for [d]eclaratory [r]elief.

....

This Court agrees with the contention made by Fajardo and Palma, but they are reminded that the case before this Court is a Petition for Declaratory Relief regarding a written instrument, which is the Deed of Conditional Sale executed by petitioner NEECO II Area II and public respondent NEA. This Court is not in any way after the [D]ecision rendered in the labor case. It just so happen[s] that the properties subject matter of the [D]eed of [C]onditional [S]ale were the same properties levied for the satisfaction of the monetary award in the labor case. Even so, this Court will not try and is not trying to alter, amend, modify[,] or even annul the decision of the LA or the National Labor Relations Commission (NLRC) nor the writ issued relative thereto.

....

IN VIEW OF THE FOREGOING, the Motion to Dismiss filed by private respondents Jesus P. Fajardo and Wilfredo S. Palma is hereby **DENIED**. . . .

....

SO ORDERED.²⁴ (Emphasis in the original)

²³ *Id.* at 179–185.

²⁴ *Id.* at 180–185.

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The RTC denied²⁵ Palma and Fajardo's Motion for Reconsideration.²⁶ Hence, Palma filed a Petition for *Certiorari*²⁷ before the CA averring that the RTC committed grave abuse of discretion in not dismissing the Petition for Declaratory Relief and issuing an injunctive relief to enjoin the levying of NEECO II's assets.²⁸

Ruling of the CA

In the assailed Decision²⁹ dated June 30, 2020, the CA granted Palma's Petition for *Certiorari* and directed the RTC to dismiss the Petition for Declaratory Relief on the ground that it involved questions of fact which are beyond the ambit of a petition for declaratory relief.³⁰ The CA explained:

On its face, NEECO II's Petition for Declaratory Relief alleges that it is merely seeking the trial court's construction and declaration of its correlative rights and obligations as buyer and with NEA as seller in a deed of conditional sale. A closer perusal of its [P]etition however reveals that NEECO II is praying for the RTC to declare it not only as an innocent purchaser for value but that the assets acquired by NEA from NEECO III are insulated from attachment and thus, improper subjects of levy by the [I]abor [a]rbiter and its sheriff in the enforcement of final and executory judgment awards in labor cases. NEECO II also claims that its payments to NEA under said Deed are likewise exempt from garnishment, it having attained the status of public funds which are likewise exempt from levy and execution.

It is clear from the foregoing that more than the mere interpretation of the Deed of Conditional Sale executed between it and NEA, NEECO II prays that the trial court issue orders that interdict the execution proceedings of the labor arbiter. Among others, NEECO II alleges in its petition that it is a buyer in good faith and for value and that as such, it properly acquired ownership of the assets subject of the [D]eed of [C]onditional [S]ale free and insulated from the lawful claims of third parties.

We find that these are questions of fact which require the ventilation of proof of title and evidence of their rightful claim over such assets. This is beyond the ambit and nature of a petition for declaratory relief which should be limited to the construction and interpretation of the terms of the subject Deed of Conditional Sale.

In *Kawasaki Port Service Corp. v. Amores*, the Supreme Court explained that in petitions for declaratory relief, the relief available is the mere declaration of rights. It is by no means the proper petition to determine

²⁵ See *id.* at 203–205. The Resolution dated March 29, 2017 in Special Civil Case No. 100 was penned by Presiding Judge Mary Anne P. Padron-Rivera of Branch 46, Regional Trial Court, San Fernando, Pampanga.

²⁶ *Id.* at 186–200.

²⁷ *Id.* at 38.

²⁸ *Id.* at 43.

²⁹ *Id.* at 38–50.

³⁰ *Id.* at 46–49.

or try contested issues. Actions for declaratory relief are unavailable where judgment therein would have to be made only after a judicial investigation of disputed facts. The only question that may be raised in such petitions is the question of “construction” or “validity” arising under an instrument or statute.

It is for this reason that[] Section 5 of Rule 63 provides that whether a court will act on a petition for declaratory relief is discretionary, dependent on whether a decision therein would terminate continuing uncertainty in the dispute:

“Section 5. *Court action discretionary.* – Except in actions falling under the second paragraph of section 1 of this rule, the court, *motu proprio, or upon motion*, may refuse to exercise the power to declare rights and to construe instruments in any case *where a decision would not terminate the uncertainty or controversy which gave rise to the action, or in any case where the declaration or construction is not necessary and proper under the circumstances.*”

The instant [P]etition for [D]eclaratory [R]elief is neither necessary nor proper under the circumstances. We reiterate the doctrine that courts should refuse to exercise its prerogative to declare rights and to construe instruments where it would not terminate the uncertainty or controversy which gave rise to the action and where it is not proper at the time under all circumstances.

....

WHEREFORE, premises considered, the instant [P]etition for [C]ertiorari is hereby **GRANTED**. The Order dated 11 July 2016 issued by Branch 46 of the Regional Trial Court of San Fernando City, Pampanga is hereby **SET ASIDE**. The Regional Trial Court is hereby directed to dismiss Special Civil Case No. 100.

SO ORDERED.³¹ (Emphasis in the original, citations omitted)

NEECO II’s Motion for Reconsideration³² was denied.³³ Hence, it filed the instant Petition³⁴ contending that the CA erred in (1) ruling that the RTC is prohibited from issuing an injunction order against the sale and execution of NEECO II’s assets³⁵ and (2) ordering the dismissal of the Petition for Declaratory Relief on the ground that it involved questions of fact which is not a proper subject of a petition for declaratory relief.³⁶ NEECO II argues that the issuance of the injunction was proper because the assets being levied by the sheriff belong to NEECO II, not to NEECO III, which was the judgment debtor.³⁷ NEECO II also avers that there are no questions of fact to be resolved in the Petition for Declaratory Relief as there is no issue as to the validity or

³¹ *Id.* at 45–49.

³² *Id.* at 51–62.

³³ *See id.* at 65–71.

³⁴ *Id.* at 10–34.

³⁵ *Id.* at 19–27.

³⁶ *Id.* at 27–32.

³⁷ *Id.* at 20–22.

validity or due execution of the Deed of Conditional Sale. NEECO II merely seeks to be declared an innocent purchaser for value of the assets it bought from NEA, free from any obligation to answer for any liability incurred by NEECO III with third persons.³⁸

Ruling of the Court

The Petition lacks merit.

Declaratory relief is an action by any person interested in a deed, will, contract or other written instrument, or executive order or resolution to determine any question of construction or validity arising from the instrument, executive order or regulation, or statute, and for a declaration of their rights and duties thereunder. The only issue that may be raised in such a petition is the question of construction or validity of the provisions in an instrument or statute.³⁹

An action for declaratory relief requires that: (1) the subject matter of the controversy is a deed, will, contract or other written instrument, statute, executive order or regulation, or ordinance; (2) the terms of said documents and the validity thereof are doubtful and require judicial construction; (3) there have been no breach of the documents in question; (4) there is an actual justiciable controversy or the “ripening seeds” of one between persons whose interests are adverse; (5) the issue is ripe for judicial determination; and (6) adequate relief is not available through other means or other forms of action or proceeding.⁴⁰

We agree with the CA⁴¹ that the Petition for Declaratory Relief is not the proper remedy and that the RTC had no jurisdiction to restrain the execution of the Decision of the labor arbiter.

To start, petitioner NEECO II seeks the proper construction of the terms of the Deed of Conditional Sale it executed with NEA. According to petitioner NEECO II, the Deed did not state that it would be liable for money claims of third persons against NEECO III. Petitioner NEECO II asserts that it acquired the NEECO III assets free from any obligation that NEECO III incurred with other persons. Hence, the labor arbiter had no authority to levy upon petitioner NEECO II’s assets as it was not even a party to the illegal dismissal cases filed against NEECO III by its former employees.⁴²

³⁸ *Id.* at 28–32.

³⁹ *Ferrer, Jr. v. Roco, Jr.*, 637 Phil. 316, 317 (2010) [Per J. Mendoza, Second Division].

⁴⁰ *Id.* at 317–318.

⁴¹ *Rollo*, pp. 44–49.

⁴² *Id.* at 12–13, 19–27.

We find the arguments misplaced. Petitioner NEECO II seeks to determine its liability to NEECO III's creditors by determining the proper construction of the Deed of Conditional Sale it executed with NEA. Nevertheless, it neither attached a copy of the Deed nor specified the doubtful or ambiguous provisions requiring judicial construction. Thus, the Court has no basis to make a proper construction of the Deed.

In any case, it is axiomatic that what determines the nature of an action—and hence, the jurisdiction—of a court, are the allegations in the complaint and the character of the relief sought.⁴³ Here, a close examination of the Petition for Declaratory Relief⁴⁴ filed by petitioner NEECO II with the RTC reveals that, fundamentally, it was questioning the propriety of the Notice of Levy and Sale issued by the labor arbiter over the properties it bought from NEA. The Petition was in effect a motion to quash the writ of execution of the labor arbiter's Decision and an action to annul the Decision itself—both of which were rendered in an illegal dismissal case. It is thus a case properly within the jurisdiction of the labor arbiter and not the trial court since the subject matter of the Petition is an incident of a labor case.⁴⁵

Indeed, the Court has long recognized that regular courts have no jurisdiction to hear and decide questions which arise from and are incidental to the enforcement of decisions, orders, or awards rendered in labor cases by appropriate officers and tribunals of the Department of Labor and Employment. To hold otherwise is to sanction splitting of jurisdiction which is obnoxious to the orderly administration of justice.⁴⁶

Pertinently, Article 266⁴⁷ of the Labor Code specifically provides that no temporary or permanent injunction or restraining order involving or growing out of labor disputes shall be issued by any court or other entity. It is the NLRC Manual on the Execution of Judgment⁴⁸ (Manual) that governs any question on the execution of a judgment of that body. The Rules of Court apply only by analogy or in a suppletory character.⁴⁹

Verily, the RTC cannot restrain the Notice of Levy and Sale issued by the labor arbiter. The proper remedy of a person who has a claim over a property sought to be levied by the labor arbiter or the NLRC is to file a third-party claim provided under the Manual. The Manual provides third-party claimants with the mechanism to assert their claims over properties levied

⁴³ *Villena v. Payoyo*, 550 Phil. 686, 691 (2007) [Per J. Quisumbing, Second Division].

⁴⁴ *Rollo*, pp. 72–103.

⁴⁵ *See Del Valle, Jr. v. Dy*, 503 Phil. 346, 355 (2009) [Per J. Quisumbing, Second Division].

⁴⁶ *Ando v. Campo*, 658 Phil. 636, 641–642 (2011) [Per J. Nachura, Second Division].

⁴⁷ Article 266. *Injunction prohibited*. — No temporary or permanent injunction or restraining order in any case involving or growing out of labor disputes shall be issued by any court or other entity, except as otherwise provided in Articles 218 and 264 of this Code.

⁴⁸ NLRC Resolution No. 01-02 (2002), as amended by NLRC Resolution No. 02-02 (2002).

⁴⁹ *Ando v. Campo*, 658 Phil. 636, 642 (2011) [Per J. Nachura, Second Division].

upon by the sheriff pursuant to an order or decision of the labor arbiter or NLRC.⁵⁰ Rule VI, Section 1 of the Manual provides the procedure for the filing of a third-party claim, thus:

Section 1. *Proceedings.* — Should a third party claim be filed during execution of the judgment award, the third party claimant shall execute an affidavit stating his [or her] title to property or possession thereof with supporting evidence and shall file the same with the sheriff and copies thereof served upon the Commission or Labor Arbiter who issued the writ and upon the prevailing party. Upon receipt of the third party claim, all proceedings, with respect to the execution of the property subject of the third party claim, shall automatically be suspended[.]

Additionally, under Rule 39, Section 16⁵¹ [then Section 17] of the Rules of Court—from which Rule VI, Section 1 of the Manual was patterned—a third person who claims that their property has been wrongfully seized may file an action for damages against the sheriff within 120 days from the filing of a bond. The same rule likewise gives the third-party claimant with the option to initiate a completely separate and distinct action from the one in which the execution was issued.⁵²

In sum, instead of filing a Petition for Declaratory Relief with the RTC, petitioner NEECO II should have exhausted all the aforementioned available remedies. Even though petitioner NEECO II is a stranger or third party to the labor case, jurisdiction over its claim still lies with the labor arbiter. It should have filed its third-party claim before the labor arbiter from whom the writ of execution originated before instituting a civil case.⁵³

ACCORDINGLY, the Petition is **DENIED**. The Decision dated June 30, 2020 and the Resolution dated February 26, 2021 of the Court of Appeals in CA-G.R. SP No. 151134 are **AFFIRMED**.

SO ORDERED.

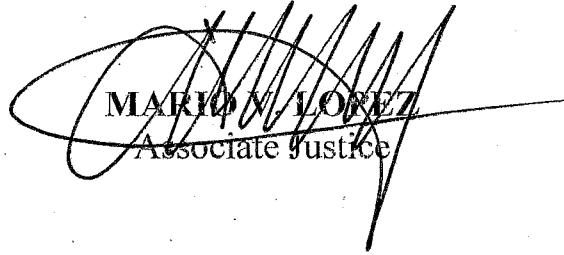
⁵⁰ *Del Valle, Jr. v. Dy*, 603 Phil. 346, 357–358 (2009) [Per J. Quisumbing, Second Division].

⁵¹ Section 16. *Proceedings where property claimed by third person.* — If the property levied on is claimed by any person other than the judgment obligor or his agent, and such person makes an affidavit of his title thereto or right to the possession thereof, stating the grounds of such right or title, and serves the same upon the officer making the levy and copy thereof upon the judgment obligee, the officer shall not be bound to keep the property, unless such judgment obligee, on demand of the officer, files a bond approved by the court to indemnify the third-party claimant in a sum not less than the value of the property levied on. In case of disagreement as to such value, the same shall be determined by the court issuing the writ of execution. No claim for damages for the taking or keeping of the property may be enforced against the bond unless the action therefor is filed within one hundred twenty (120) days from the date of the filing of the bond.

The officer shall not be liable for damages for the taking or keeping of the property, to any third-party claimant if such bond is filed. **Nothing herein contained shall prevent such claimant or any third person from vindicating his claim to the property in a separate action, or prevent the judgment obligee from claiming damages in the same or a separate action against a third-party claimant who filed a frivolous or plainly spurious claim[.]** (Emphasis supplied)

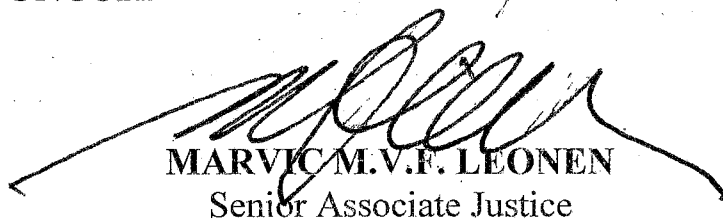
⁵² *Tuan v. NLRC*, 352 Phil. 240, 249 (1998) [Per J. Purisima, Third Division].

⁵³ *See Del Valle, Jr. v. Dy*, 603 Phil. 346, 357 (2009) [Per J. Quisumbing, Second Division].




MARIO N. LOPEZ
Associate Justice

WE CONCUR:



MARVIC M.V.F. LEONEN
Senior Associate Justice



AMY C. LAZARO-JAVIER
Associate Justice



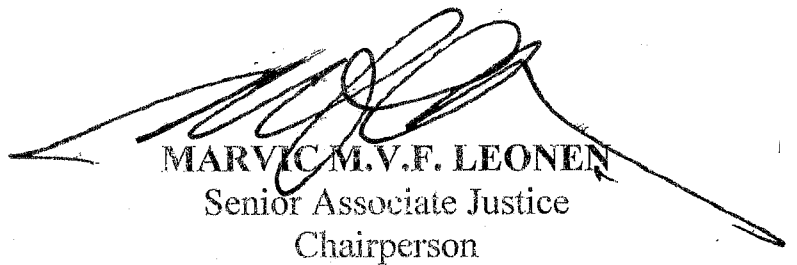
JHOSEP LOPEZ
Associate Justice



ANTONIO T. KHO, JR.
Associate Justice

ATTESTATION

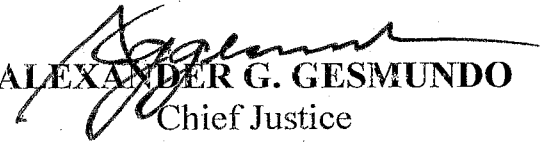
I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



MARVIC M.V.F. LEONEN
Senior Associate Justice
Chairperson

CERTIFICATION

Pursuant to Article VIII, Section 13 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.



ALEXANDER G. GESMUNDO
Chief Justice

