Republic of the Philippines
Supreme Court
Manila

SECOND DIVISION

THE REDSYSTEMS COMPANY, INC.,	**G.R. No. 252783**
Petitioner,	**Present:**
- *versus* -	LEONEN, *J., Chairperson,*
	LAZARO-JAVIER,
EDUARDO V. MACALINO, DANILO TOLENTINO, AXEL PANGILINAN, LEONARDO SANTOS, JR., CRISANTO TABAGO, NOEL TAGARO, GERALD BALMORES, and R-JAY VIDAD,	LOPEZ, M.,*
	LOPEZ, J., and
	KHO, JR., *JJ.*
Respondents.	**Promulgated:**
x----------x	SEP 21 2022

DECISION

LOPEZ, J., *J.*:

This Court resolves the Petition for Review on *Certiorari*[1] under Rule 45 of the Rules of Court seeking to reverse and set aside the Resolutions dated November 7, 2019[2] and June 15, 2020[3] of the Court of Appeals (*CA*) in CA-G.R. SP No. 162182, which ruled that the National Labor Relations Commission (*NLRC*) did not gravely abuse its discretion in dismissing the appeal of The Redsystems Company, Inc. (*TRCI*) for its failure to file the requisite appeal bond.

TRCI was engaged in the business of distribution, delivery, hauling, and transportation of goods. It entered into several agreements[4] with Coca-

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* On official business.

1 *Rollo*, Vol. I, pp. 11-40.

2 Penned by Associate Justice Apolinario D. Bruselas, Jr., with Associate Justices Nina G. Antonio-Valenzuela and Louis P. Acosta, concurring; *rollo*, Vol. III, pp. 1611-1619.

3 *Id.* at 1678-1679.

4 *Rollo*, Vol. I, pp. 389-430.

Cola FEMSA Philippines, Inc., now Coca-Cola Beverages Philippines, Inc., (*Coca-Cola*) for the delivery and hauling of the latter's products. Subsequently, TRCI also entered into service agreements[5] with Macslink-PSV Services, Inc. (*Macslink*) for delivery service assistance, particularly for the provision of personnel who will assist TRCI's employees in loading and unloading Coca-Cola's products on board TRCI's trucks during delivery.[6]

Pursuant to its agreements with TRCI, Macslink engaged the services of Eduardo V. Macalino, Danilo Tolentino, Axel Pangilinan, Leonardo Santos, Jr., Crisanto Tabago, Noel Tagaro, Gerald Balmores, and R-Jay Vidad (*Macalino et al.*) and assigned them to the Tarlac Distribution Center and Meycauayan Plant of Coca-Cola as pickers and segregators.[7]

In March 2017, Macslink closed shop. It formally ceased operations and terminated the services of Macalino *et al.*, and 15 others on May 31, 2017. This prompted the 24 employees to file a complaint before the labor arbiter for reinstatement with backwages, regularization, benefits under the Collective Bargaining Agreement, payment of overtime pay, service incentive leave pay, 13th month pay, as well as damages and attorney's fees.[8]

In a Decision[9] dated December 28, 2018, the LA granted the complaint, preliminarily noting that out of the 24 complainants, only Macalino *et al.* filed their respective Position Papers. Limiting its discussion to these claims, the LA ruled that Macalino *et al.* are regular employees of Coca-Cola since TRCI was engaged in labor-only contracting. It noted that even before TRCI entered into a service agreement with Macslink, and before Macslink was registered with the Securities and Exchange Commission, Macalino *et al.* were already working for Coca-Cola. The LA also found that at the time of the execution of the service agreements with Coca-Cola, TRCI did not have sufficient equipment or tools that were necessary for providing the services required by Coca-Cola.[10]

The LA then held that since Macalino *et al.* were employees of Coca-Cola, their dismissal based on the supposed cessation of business of Macslink was illegal. It ruled that Macalino *et al.* were entitled to reinstatement with backwages, as well as to the payment of their service incentive leave pay, 13th month pay, and overtime pay. The LA also awarded to Macalino *et al.* moral damages, and exemplary damages and attorney's fees in the amount of ₱50,000.00 each.[11]

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5 *Id.* at 523-559.
6 *Rollo*, Vol. III, p. 1612.
7 *Id.*
8 *Id.* at 1613.
9 Penned by Labor Arbiter Ma. Bernardita L. Carreon; *id.* at 1550-1557.
10 *Id.* at 1558-1561.
11 *Id.* at 1561-1565.

Aggrieved, TRCI filed a partial appeal before the NLRC. It argued that the LA gravely abused its discretion in ruling that it is a labor-only contractor. TRCI insisted that it is a legitimate contractor as shown by the following: (a) a certificate of registration as an independent job contractor from the Department of Labor and Employment; (b) its Amended Articles of Incorporation showing that it was engaged in a distinct and independent business of distribution; (c) its financial statements showing that since 2010, it already had substantial capital and sufficient investment to engage in the distribution, delivery, hauling, and transportation of goods; (d) it exercised complete control and supervision over its employees; and (e) the services contracted to it were not necessary and desirable, or directly related to the main business of Coca-Cola.[12]

In a Resolution[13] dated March 25, 2019, the NLRC denied TRCI's partial appeal. It ruled that TRCI failed to perfect its appeal in accordance with Sections 4[14] and 6,[15] Rule VI of the 2011 NLRC Rules of Procedure, in relation to Article 223[16] of the Labor Code. Particularly, the NLRC stated that since the LA Decision involved a monetary award, TRCI was required to post a cash or surety bond in the amount of ₱545,051.03, representing the total amount awarded by the LA in favor of Macalino *et al.*, in order to perfect its appeal. However, TRCI only paid the amount of ₱520.00 for appeal and legal research fee. Thus, for nonpayment of the correct appeal bond, the appeal of TRCI was not perfected and the assailed LA Decision had become final and executory.[17]

TRCI filed a Motion for Reconsideration[18] dated May 2, 2019, which was denied by the NLRC in its Resolution[19] dated May 31, 2019.

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12 *Id.* at 1574-1579.

13 Penned by Commissioner Agnes Alexis A. Lucero-De Grano, with Commissioners Joseph Gerard E. Mabilog and Isabel G. Panganiban-Ortiguerra, concurring; *id.* at 1588-1596.

14 SECTION 4. *REQUISITES FOR PERFECTION OF APPEAL.* — a) The appeal shall be:

x x x x

5) accompanied by

i) proof of payment of the required appeal fee;

ii) posting of a cash or surety bond as provided in Section 6 of this Rule; x x x

15 SECTION 6. *BOND.* — In case the decision of the Labor Arbiter or the Regional Director involves a monetary award, an appeal by the employer may be perfected only upon the posting of a bond, which shall either be in the form of cash deposit or surety bond equivalent in amount to the monetary award, exclusive of damages and attorney's fees.

16 ART. 223 [now Article 229] Appeal. — Decisions, awards, or orders of the Labor Arbiter are final and executory unless appealed to the Commission by any or both parties within ten (10) calendar days from receipt of such decisions, awards, or orders. x x x

x x x x

In case of a judgment involving a monetary award, an appeal by the employer may be perfected only upon the posting of a cash or surety bond issued by a reputable bonding company duly accredited by the Commission in the amount equivalent to the monetary award in the judgment appealed from.

x x x x

17 *Rollo*, Vol. III, pp. 1590-1594.

18 *Id.* at 1598-1604.

19 *Id.* at 1605-1608.

This prompted TRCI to file a petition for *certiorari* before the CA, ascribing grave abuse of discretion on the NLRC in issuing its Resolutions.

In a Resolution[20] dated November 7, 2019, the CA dismissed the petition for *certiorari* for failure to show that the NLRC committed grave abuse of discretion in denying TRCI's appeal. It agreed with the NLRC that, for failure of TRCI to pay the appeal bond in the amount equivalent to the judgment award, its appeal was not perfected. The CA rejected TRCI's contention that it need not pay the appeal bond since it is not an "employer" under Article 223 of the Labor Code. The court emphasized that the purpose of the appeal bond is to ensure that in the event that the workers prevail in the case, they will receive the money judgment in their favor upon the dismissal of the employer's appeal. Here, the CA stated that if the partial appeal of TRCI was granted, it would be declared as the real employer, which shall then be solely liable for the monetary awards, if affirmed, to Macalino *et al.*[21]

TRCI's Motion for Reconsideration was denied by the CA in its Resolution[22] dated June 15, 2020.

Hence, this Petition.

Petitioner insists that it is not required to pay the appeal bond in the amount equivalent to the monetary award adjudged by the LA since that rule applies only when the appeal is brought by the *employer*. Here, the LA did not declare that it is the employer of respondents nor did it hold petitioner liable for the payment of monetary awards to them. There is thus no basis to require it to pay the appeal bond for the perfection of its appeal.[23]

In its Comment[24] dated July 16, 2021, respondents counter that it is no longer necessary to pass upon the issue raised by petitioner in the present case. They point out that while the NLRC denied petitioner's partial appeal, it gave due course to the appeal filed by Coca-Cola. They bring to this Court's attention the Decision[25] dated May 27, 2019 and the Resolution[26] dated August 30, 2019 of the NLRC which, nevertheless, affirmed the LA's Decision dated December 28, 2018 and similarly found that petitioner is engaged in labor-only contracting. The NLRC held that Coca-Cola and

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20 *Id.* at 1611-1619.
21 *Id.* at 1616-1617.
22 *Id.* at 1678-1679.
23 *Rollo*, Vol. I, pp. 26-28.
24 *Rollo*, Vol. III, pp. 1687-1703.
25 Penned by Commissioner Agnes Alexis A. Lucero-De Grano, with Commissioners Joseph Gerard E. Mabilog and Isabel G. Panganiban-Ortiguerra, concurring; *id.* at 1704-1735.
26 *Id.* at 1736-1741.

petitioner are solidarily liable for the monetary awards adjudged by the LA in favor of respondents.[27]

The sole issue for this Court's resolution is whether the CA correctly held that the NLRC did not commit grave abuse of discretion in dismissing the appeal of petitioner TRCI for its failure to file an appeal bond.

The Petition is denied.

It should be clarified that in a petition for review on *certiorari* under Rule 45 of the Rules of Court, this Court's review is limited to questions of law raised against the assailed CA decision. In the context of labor cases, the question for this Court is simply whether the CA correctly determined the presence or absence of grave abuse of discretion in the NRLC decision brought before it.[28]

In this regard, it has been held that the NLRC gravely abuses its discretion when its findings and conclusions are not supported by substantial evidence, or when its ruling is not in accordance with applicable law and jurisprudence.[29]

The posting of a bond, in the form of cash or surety, is required to perfect an appeal from a decision of the LA involving monetary awards. This is clear from Article 229 (formerly Article 223)[30] of the Labor Code which states:

> ART. 229 [223] **Appeal.** — Decisions, awards, or orders of the Labor Arbiter are final and executory unless appealed to the Commission by any or both parties within ten (10) calendar days from receipt of such decisions, awards, or orders. x x x
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> x x x x
>
> **In case of a judgment involving a monetary award, an appeal by the employer may be perfected only upon the posting of a cash or surety bond** issued by a reputable bonding company duly accredited by the Commission **in the amount equivalent to the monetary award in the judgment appealed from.** (Emphasis supplied)

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27 *Id.* at 1733.

28 *Abing v. National Labor Relations Commission, et al.*, 742 Phil. 647, 654 (2014), citing *Bani Rural Bank, Inc., et al. v. De Guzman, et al.*, 721 Phil. 84, 98 (2013).

29 *TelePhilippines, Inc. v. Jacolbe*, G.R. No. 233999, February 18, 2019, 893 SCRA 210, 221. (Citations omitted)

30 As amended by Section 12 of Republic Act No. 6715 (1989).

Meanwhile, Sections 4 and 6, Rule VI of the NLRC Rules of Procedure also provide that:

> SECTION 4. *REQUISITES FOR PERFECTION OF APPEAL.* – a) The appeal shall be:
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> x x x x
>
> 5) accompanied by
> i) proof of payment of the required appeal fee;
> **ii) posting of a cash or surety bond as provided in Section 6 of this Rule**; x x x (Emphasis supplied)
>
> SECTION 6. *BOND.* — In case the decision of the Labor Arbiter or the Regional Director involves a monetary award, an appeal by the employer may be perfected only upon the posting of a bond, which shall either be in the form of cash deposit or surety bond equivalent in amount to the monetary award, exclusive of damages and attorney's fees.

Under the foregoing provisions, the amount of appeal bond must be equivalent to the amount of the monetary award of the LA. The rationale behind this requirement is to "assure the workers that if they prevail in the case, they will receive the money judgment in their favor upon the dismissal of the employer's appeal."[31] Moreover, it is intended to discourage employers from using the appeal to delay or even evade their obligation to satisfy the judgment.[32]

Indeed, the indispensability of the appeal bond is clear from the language of the law which states that an appeal may be perfected *only* upon the posting thereof. Thus, while the perfection of an appeal is optional on the part of the defeated party as evidenced by the use of the word "may" under Article 229 of the Labor Code, to do so mandates the posting of the required appeal bond.[33]

To clarify, the requirement of appeal bond is a rule of jurisdiction and not merely of procedure.[34] Noncompliance with the requirement deprives the NLRC of its jurisdiction to entertain the appeal and renders the decision of the LA final and executory.

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31 *Arellano, et al. v. Powertech Corporation, et al.*, 566 Phil. 178, 200 (2008), citing *Viron Garments Manufacturing Co., Inc. v. National Labor Relations Commission,* G.R. No. 97357, March 18, 1992, 207 SCRA 339, 342.

32 *Salazar v. Simbajon, et al.*, G.R. No. 202374, June 30, 2021, citing *Petok Integrated Services, Inc. v. NLRC,* 355 Phil. 247, 253 (1998).

33 *McBurnie v. Ganzon,* 616 Phil. 629, 637 (2009), citing *Accessories Specialist, Inc. v. Albanza*, 581 Phil. 517, 528 (2008).

34 *Ramirez v. Court of Appeals, et al.*, 622 Phil. 782, 799 (2009)

Here, petitioner did not file an appeal bond equivalent to the monetary award adjudged by the LA in favor of respondents. It insists that the filing of appeal bond is required only when it is the *employer* who files the appeal. It avers that since it was not declared by the LA as the employer of respondents, it is not liable to pay the appeal bond in order to perfect its appeal.

This Court is not convinced.

To recall, in its Decision[35] dated December 28, 2018, the LA found petitioner as a labor-only contractor. Consequently, it held Coca-Cola, as principal, the true employer of respondents. It ultimately ordered Coca-Cola to reinstate respondents and to pay them their monetary benefits and awards.

On this score, it should be emphasized that a labor-only contractor is solidary liable with the principal employer for the rightful claims of the employees. This is based on Articles 106 and 109 of the Labor Code which state:

> ART. 106. Contractor or subcontractor. —
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> x x x x
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> There is "labor-only" contracting where the person supplying workers to an employer does not have substantial capital or investment in the form of tools, equipment, machineries, work premises, among others, and the workers recruited and placed by such person are performing activities which are directly related to the principal business of such employer. In such cases, the person or intermediary shall be considered merely as an agent of the employer who shall be responsible to the workers in the same manner and extent as if the latter were directly employed by him.
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> ART. 109. Solidary Liability. — The provisions of existing laws to the contrary notwithstanding, every employer or indirect employer shall be held responsible with his contractor or subcontractor for any violation of any provision of this Code. For purposes of determining the extent of their civil liability under this Chapter, they shall be considered as direct employers.

In *San Miguel Corporation v. MAERC Integrated Services, Inc.*,[36] this Court said that:

> x x x [I]n labor-only contracting, the statute creates an employer-employee relationship for a comprehensive purpose: to prevent a circumvention of labor laws. The contractor is considered merely an agent of the principal employer and the latter is responsible to the employees of the labor-only

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35 *Rollo*, pp. 1550-1567.

36 453 Phil. 543 (2003).

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> contractor as if such employees had been directly employed by the principal employer. **The principal employer therefore becomes solidarily liable with the labor-only contractor for all the rightful claims of the employees.**[37] (Emphasis supplied.)

Having been declared as a labor-only contractor, petitioner is solidarily liable with Coca-Cola for the monetary benefits awarded by the LA to respondents. It does not matter that the LA did not specifically rule to this effect, since the solidary liability between the principal and the labor-only contractor is mandated by the law itself. The practical consequence of this solidary liability, to note, is that respondents may demand the payment of the monetary awards granted to them by the LA from either Coca-Cola or petitioner.[38]

It is precisely in view of this solidary obligation between a principal and a labor-only contractor that filing an appeal bond is required for the perfection of petitioner's appeal before the NLRC. To reiterate, the purpose of the appeal bond is "to ensure that the employee has properties on which he or she can execute upon in the event of a final, providential award."[39] It is intended to guarantee, during the period of appeal, against any event that would defeat or diminish recovery by aggrieved employees under the judgment if subsequently affirmed.[40]

The term *employer* under Article 229 of the Labor Code, and Section 6 of the NLRC Rules of Procedure, for purposes of requiring an appeal bond, includes parties who are adjudged by the LA as solidarily liable with the employer for the payment of monetary awards to workers, including a labor-only contractor, as in this case. To construe otherwise will defeat the rationale behind the appeal bond requirement and, worse, will encourage a practice for employers to facilitate the appeal of a solidary debtor in order to avoid filing the appeal bond.

It should be noted that by seeking the appeal of the LA Decision, petitioner is asking the NLRC to declare it as a legitimate contractor and the real employer of respondents. In the event that its appeal is granted, it may be held liable for the payment of monetary benefits, including backwages, service incentive leave pay, 13th month pay, and overtime pay, which the LA already found respondents entitled to. All the more reason, therefore, to

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37 *Id.* at 567.

38 Article 1207 of the Civil Code provides:

Article 1207. The concurrence of two or more creditors or of two or more debtors in one and the same obligation does not imply that each one of the former has a right to demand, or that each one of the latter is bound to render, entire compliance with the prestation. There is a solidary liability only when the obligation expressly so states, or when the law or the nature of the obligation requires solidarity.

39 *Toyota Alabang, Inc. v. Games*, 766 Phil. 816, 832 (2015), citing *Computer Innovations Center v. NLRC*, 500 Phil. 573, 584-585 (2005).

40 *U-bix Corporation v. Bravo*, 763 Phil. 668, 682-683 (2015), citing *Cordova v. Keysa's Boutique*, 507 Phil. 147, 158 (2005).

require petitioner to file an appeal bond which shall secure satisfaction of respondents' claims in the event that the award in their favor is affirmed.

It is true that the appeal bond requirement has been relaxed in certain cases, such as where there was substantial compliance of the NLRC Rules of Procedure, or where the appellants, at the very least "exhibited willingness to pay by posting a partial bond, or where the failure to comply with the requirements for perfection of appeal was justified."[41]

To be sure, relaxation of the rules is not warranted in the present case where petitioner has not shown the slightest willingness to pay, but instead insists on the nonapplicability of the rule based on a literal application of the law. However, it is settled that a literal interpretation of the law must be rejected if it would lead to mischievous results or contravene the clear purpose of the legislature. In such cases, the law should be construed according to its spirit and reason, without regard to the literal reading of its provisions.[42]

Here, the intent behind the requirement of appeal bond will be defeated when a party, who is as much liable for the monetary awards adjudged by the LA as the employer, will be exempted from the application of the rule. It should be emphasized that Coca-Cola filed a separate appeal from the LA Decision and posted the required appeal bond. The NLRC did not deem it proper to resolve petitioner's appeal jointly with that of Coca-Cola, and correctly so. By the very nature of their relationship, the rights of Coca-Cola and petitioner are diametrically opposed. Petitioner could not have properly relied on the bond filed by Coca-Cola to secure its obligations since the grant of their respective appeals may mean that petitioner is solely liable for the claims of respondents.

All told, the failure of petitioner to post a bond equivalent in amount to the monetary award is fatal to its appeal. The CA did not err in finding no grave abuse of discretion on the part of the NLRC, which merely followed the law and its own rules of procedure.

Time and again, this Court has held that the right to appeal is not a natural right or part of due process. It is a mere statutory privilege, the exercise of which must be exercised in the manner and in accordance with the provisions law.[43] Failure to strictly abide by the law and applicable rules

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41 *Philux, Inc., et al. v. National Labor Relations Commission, et al.*, 586 Phil. 19, 32 (2008). (Citation omitted)

42 *Republic of the Philippines v. Orbecido III*, 509 Phil. 108, 115 (2005), citing *Lopez & Sons, Inc. v. Court of Tax Appeals*, 100 Phil. 850, 855 (1957).

43 *Turks Shawarma Company/Gem Zeñarosa v. Pajaron, et al.*, 803 Phil. 315, 323 (2017), citing *Boardwalk Business Ventures, Inc. v. Villareal*, 708 Phil. 443, 452 (2013).

means that the appeal is invariably lost,[44] and the judgment becomes final and executory.

ACCORDINGLY, the Petition is **DENIED**. The Resolutions dated November 7, 2019 and June 15, 2020 of the Court of Appeals in CA-G.R. SP No. 162182 are hereby **AFFIRMED**. The Resolution dated March 25, 2019 of the National Labor Relations Commission dismissing the appeal of petitioner The Redsystems Company, Inc. for nonperfection is **UPHELD**.

SO ORDERED.

JHOSEP Y. LOPEZ
Associate Justice

WE CONCUR:

MARVIC M.V.F. LEONEN
Senior Associate Justice
Chairperson, Second Division

AMY C. LAZARO-JAVIER
Associate Justice

On official business
MARIO V. LOPEZ
Associate Justice

ANTONIO T. KHO, JR.
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.

MARVIC M.V.F. LEONEN
Acting Chief Justice

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44 *Philux, Inc., et al. v. National Labor Relations Commission, et al*, *supra* note 43, at 26.