

CHANROBLES PUBLISHING COMPANY

**SUPREME COURT  
FIRST DIVISION**

**ASIONICS PHILIPPINES, INC. and/or  
FRANK YIH,**

***Petitioners,***

***-versus-***

**G.R. No. 124950  
May 19, 1998**

**NATIONAL LABOR RELATIONS  
COMMISSION, YOLANDA BOAQUINA,  
and JUANA GAYOLA,**

***Respondents.***

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**RESOLUTION**

**VITUG, J.:**

In this Special Civil Action of *Certiorari*, petitioners Asionics Philippines, Inc. (“API”), and its President and majority stockholder, Frank Yih, seek to annul and set aside the Decision,<sup>[1]</sup> dated 19 May 1996, of the National Labor Relations Commission (“NLRC”) which has ordered, inter alia, that they grant separation pay, computed at one-half (1/2) month per year of service, to private respondent Yolanda Boaquina and Juana Gayola. Concomitantly being contested is the subsequent 16<sup>th</sup> April 1996 Resolution<sup>[2]</sup> of the NLRC denying petitioners’ Motion for Reconsideration.

API is a domestic corporation engaged in the business of assembling semi-conductor chips and other electronic products mainly for export. Yolanda Boaquina and Juana Gayola started working for API in 1979 and 1988, respectively, as material control clerk and as production operator. During the third quarter of 1992, API commenced negotiations with the duly recognized bargaining agent of its employees, the Federation Free Workers (“FFW”), for a Collective Bargaining Agreement (“CBA”) A deadlock, however, ensued and the union decided to file a notice of strike. This event prompted the two customers of API, Indala and CP Clare Theta J, to thereupon refrain from sending to API additional kits or materials for assembly. API, given the circumstance that its assembly line had to thereby grind to a halt, was forced to suspend operations pursuant to Article 286<sup>[3]</sup> of the Labor Code. Private respondents Boaquina and Gayola were among the employee asked to take a leave from work.

Upon the resolution of the bargaining deadlock in October of 1992, a CBA was concluded between API and FFW. The contract was signed on 30 October 1992 by the parties. Respondent Boaquina was directed to report back since her previous assignment pertained to the issuance of raw materials needed for the production of electronic items being ordered by Indala, one of API’s client which promptly resumed its business with API. On the other hand, Juana Gayola, among other employees, could not be recalled forthwith because the CP Clare/Theta J account, where she was assigned as the production operator, had yet to renew its production orders.

Inasmuch as its business activity remained critical, API was constrained to implement a company-wide retrenchment affecting one hundred five (105) employees from a work force that otherwise totalled three hundred four(304) The selection was based on productivity/performance standards pursuant to the CBA. Yolanda Boaquina was one of those affected by the retrenchment and API, through its Personnel Manager Beatriz G. Torro, advised her of such fact in its letter of 29 December 1992. In that letter, Boaquina was informed that her services were to be dispensed with effective 31 January 1993<sup>[4]</sup> although she did not have to render any service for the month of January she being by then already considered to be on leave with pay. While Juana Gayola was not supposed to be affected by the retrenchment in view of her high performance rating, her

services, nevertheless, were considered to have been ended on 04 September 1992<sup>[5]</sup> when she was ordered by API to take an indefinite leave of absence. She had not since been recalled.

Dissatisfied with their union (FFW), Boaquina and Gayola, together with some of other co-employees, joined the Lakas ng Manggagawa sa Pilipinas Labor Union (“Lakas Union”) where they eventually became members of its Board of Directors.

On 06 January 1993, Lakas Union filed a notice of strike against API on the ground of unfair labor practice (“ULP”) allegedly committed by the latter, specifically, for union busting, termination of union officers/members, harassment and discrimination.<sup>[6]</sup> A conciliation meeting was scheduled for 08 January 1993 by the National Conciliation and Mediation Board (“NCMB”) to address the problem which meeting, however, was reset to 14 January 1993 for failure of any representative of member of Lakas Union to appear. On 10 January 1993, Lakas Union staged a strike.

Claiming that the strike staged by Lakas Union was illegal, API on 11 1993, brought before the NLRC National Capital Region Arbitration a petition, docketed NLRC NCR Case No. 00-01-00402-93, for declaration of illegality of the strike. Lakas Union countered that their strike was valid and staged as a measure of self-preservation and as self-defense against the illegal dismissal of petitioners aimed at union busting in the guise of a retrenchment program.

On 23 June 1994, Labor Arbiter Villarente, Jr., to whose sala the case was raffled, promulgated a Decision<sup>[7]</sup> declaring the strike staged by Lakas Union to be illegal. He declared.

“WHEREFORE, judgment is hereby rendered declaring that the strike staged by respondents Federation of Free Workers and the Lakas Manggagawa ng Pilipinas on January 10, 1993 and thereafter, was ILLEGAL.

“Accordingly, all the registered officers of the two respondent-Unions at the time of the strike are hereby declared to have lost their employment status (aside from the fact that ten of them

earlier mentioned had settled their cases amicably with petitioner).

“Insofar as the striking members are concerned and who did not settle their cases amicably, their separation from the service of petitioner API is hereby declared VALID under the company-wide retrenchment program which was earlier made known to proper authorities.

“SO ORDERED.”<sup>[8]</sup>

Meanwhile, at the instance of several employees which included private respondents Boaquina and Gayola complaint for illegal dismissal, violation of labor standards and separation pay, as well as for recovery of moral and exemplary damages, was filed against, API and/or Frank Yih before the NLRC National Capital Region Arbitration Branch. The illegal dismissal case, docketed NLRC NCR Case No. 00-05-03326 and No. 00-03-01952-93, was assigned to Labor Arbiter Potenciano S. Canizares, Jr.

On 22 June 1994, Labor Arbiter Canizares rendered his Decisions<sup>[9]</sup> holding petitioners guilty of illegal dismissal. He ordered petitioners to pay private respondent Yolanda Boaquina separation pay of one-half ( $\frac{1}{2}$ ) month pay for every year of service, plus overtime pay, and to reinstate private respondent Juana Gayola with full backwages from the time her salaries were withheld from her until her actual reinstatement.

The Decision of Labor Arbiter Villarente, Jr., and that of Labor Arbiter Canizares were both appealed to the NLRC.

On 20 April 1995, the Third Division of NLRC promulgated its Resolution<sup>[10]</sup> which affirmed the finding of Labor Arbiter Villarente, Jr., that the strike staged by Lakas Union was illegal. On 19 March 1996, the same Third Division of NLRC, in the illegal dismissal case, rendered a Decision<sup>[11]</sup> modifying the decision of Labor Canizares by declaring that private respondents were not illegally dismissed but were validly terminated due to the retrenchment policy implemented by API. Accordingly, private respondents were awarded separation pay and an additional one (1) month salary in favor of Juana Gayola

by way of indemnity for petitioner API's failure to properly inform her of the retrenchment. The NLRC dismissed the claim of petitioners that private respondents should not be entitled to separation pay because of their involvement in the strike which was declared illegal.

On 01 April 1996, petitioners moved for a reconsideration of the 19<sup>th</sup> March 1996 NLRC decision; the motion, however, was denied by the NLRC in its resolution of 16 April 1996.

In this recourse, the following issues have been raised by petitioners; to wit:

“WHETHER OR NOT PRIVATE RESPONDENTS WHO ARE OFFICERS OF THE UNION ARE STILL ENTITLED TO SEPARATION PAY AND INDEMNITY DESPITE HAVING PARTICIPATED IN A STRIKE THAT HAS BEEN DECLARED ILLEGAL?

“WHETHER OR NOT A STOCKHOLDER/DIRECTOR/OFFICER OF A CORPORATION CAN BE HELD LIABLE FOR THE OBLIGATION OF THE CORPORATION ABSENT ANY PROOF AND FINDING OF BAD FAITH.?”<sup>[12]</sup>

The position advanced by petitioners on the first issue is bereft of merit. It is quite evident that the termination of employment of private respondents was due to the retrenchment policy adopted by API and not because of the former's union activities. In a letter, dated 29 December 1992, API itself advised respondent Boaquina that she was one of those affected by the retrenchment program of the company and that her services were to be terminated effective 31 January 1993. In there pleadings submitted to Labor Arbiter Canizares, Jr., in connection with the illegal dismissal case, petitioners firmly averred that the services of private respondents were being dispensed with not by reason of their union activities but in view of the retrenchment policy of the company. The Solicitor-General correctly pointed out the admissions made by petitioners; thus:

“The fact is, complainant Boaquina was in fact part of the first batch of retrenches. She was duly notified of her retrenchment, as well as the proper labor authorities. Ms. Boaquina alleged in her position paper/affidavit that:

“On September 12, 1992, I was illegally laid-off for no reason that I know other than my union activities. I was recalled on October 6, 1992 and again, I was laid-off in a memorandum of January 4, 1993 effective the end of said month.

“Complainant Boaquina of course failed, obvious wittingly, to tell her story truthfully. In the first place, she was never terminated for her union activities. Asionics just concluded its CBA with the employees’ bargaining representative. Asionics were also too preoccupied with more earthshaking and exigent problems, principally that of getting the business back on its feet, to concern themselves with potential (whether real or imagined) entanglements/complication with the union, much less of one individual member. Moreover, for academic discussion, let us say that indeed complainant Boaquina was targeted for termination due to union activities. Under the circumstances, she would have just been terminated outright, without recall. The truth of the matter is, Boaquina was made to go on leave in September 1992 precisely because of the pull-out of CP Clare Theta-J which resulted in work shortage. If she was recalled before she was finally retrenched, it only shows that the company had been trying its best to accommodate the most possible number of employees in its payroll, even given that it was in dire financial straits. Of course, the company cannot just let the workers go to work and pay them their dues even though there is nothing to do.

“Complainant Gayola on the other hand was separated from service owing to the fact that production totally ceased by virtue of the blockade caused by the strike and the pull-out of Asionic’s last customer. In short, the strike aggravated a bad situation by making it worse and eventually, the worst possible nightmare for any business enterprise. There being no work whatsoever to do, complainant Gayola, like the other employees had to be

terminated from work.”<sup>[13]</sup> (Underlined portions found in the text)

The decision of Labor Arbiter Villarente, Jr., declaring private respondents to have lost their employment status due to their participation in an illegal strike is of no really significance to petitioners. It should suffice to say, as so aptly observed by the NLRC, that the retrenchment of private respondents has, in fact, preceded the declaration of strike.

It is, instead, on the issue of joint and solidary liability of petitioner Frank Yih with API that the Court has decided to give due course to the instant petition. The court cannot agree with the Solicitor-General in suggesting that even if Frank Yih had no direct hand in the dismissal of the respondents he should be personally liable therefor on account alone of his being the President and majority stockholder of the company. The disquisition by the Court in Santos vs. NLRC<sup>[14]</sup> is quite succinct and clear. Thus —

“A corporation is a juridical entity with legal personality separate and distinct from those acting for and in its behalf and, in general, from the people comprising it. The rule is that obligations incurred by the corporation, acting through its directors, officers and employees, are its sole liabilities. Nevertheless, being a mere fiction of law, peculiar situations or valid grounds can exist to warrant, albeit done sparingly, the disregard of its independent being and the lifting of the corporate veil. As a rule, this situation might arise when a corporation is used to evade a just and due obligation or to justify a wrong, to shield or perpetrate fraud, to carry out similar unjustifiable aims or intentions, or as a subterfuge to commit injustice and so circumvent the law.”

“x x x”

“It is true, there were various cases when corporate officers were themselves held by the Court to be personally accountable for the payment of wages and money claims to its employees. In A.C. Ransom Labor Union-CCLU vs. NLRC, for instance, the Court ruled that under the Minimum Wage Law, the

responsible officer of an employer corporation could be, held personally liable for nonpayment of backwages for '(i)f the policy of the law were otherwise, the corporation employer (would) have devious ways for evading payment of backwages.' In the absence of a clear identification of the officer directly responsible for failure to pay the backwages, the Court considered the President of the corporation as such officer. The case was cited in Chua vs. NLRC in holding personally liable the vice-president of the company, being the highest and most ranking official of the corporation next to the President who was dismissed, for the latter's claim for unpaid wages.

"A review of the above exceptional cases would readily disclose the attendance of facts and circumstances that could rightly sanction personal liability on the part of the company officer. In A.C. Ransom, the corporate entity was a family corporation and execution against it could not be implemented because of the disposition posthaste of its leviabale assets evidently in order to evade its just and due obligations. The doctrine of piercing the veil of corporate fiction' was this clearly appropriate. Chua likewise involved another family corporation, and this time the conflict was between two brothers occupying the highest ranking positions in the company. There were incontrovertible facts which pointed to extreme personal animosity that resulted, evidently in bad faith, in the easing out from the company of one of the brothers by the other.

"The basic rule is still that which can deduced from the Court's pronouncement in Sunio vs. National Labor Relations Commission (127 SCRA 390), thus:

'We come now to the personal liability of petitioner, Sunio, who was made Jointly and severally responsible with petitioner company and CIPI for the payment of the backwages of private respondents. This is reversible error. The Assistant Regional Director's Decision failed to disclose the reason why he was made personally liable. Respondents, however, alleged as grounds thereof, his being the owner of one-half (1/2) interest of said

corporation, and his alleged arbitrary dismissal of private respondents.

Petitioner Sunio was impleaded in the Complaint in his capacity as General Manager of petitioner corporation. There appears to be no evidence on record that he acted maliciously or in bad faith in terminating the services of private respondents. His act, therefore, was within the scope of his authority and was a corporate act.

‘It is basic that a corporation is invested by law with a personality separate and distinct from those of the persons composing it as well as from that of any other legal entity to which it may be related. Mere ownership by a single stockholder or by another corporation of all or nearly all of the capital stock of a corporation is not of itself sufficient ground for disregarding the separate corporate personality. Petitioner Sunio, therefore, should not have been made personally answerable for the payment of private respondent’s back salaries.’

“The Court, to be sure, did appear to have deviated somewhat in *Gudez vs. NLRC* (183 SCRA 644), however, it should be clear from our recent pronouncement in *Mam Realty Development Corporation and Manuel Centeno vs. NLRC* (244 SCRA 797), that the Sunio doctrine still prevails.”<sup>[15]</sup>

Nothing on record is shown to indicate that Frank Yih has acted in bad faith or with malice in carrying out the retrenchment program of the company. His having been held by the NLRC to be solidarily and personally liable with API is thus legally unjustified.

**WHEREFORE**, the questioned Decision of the NLRC is **MODIFIED** insofar as it holds herein petitioner Frank Yih personally liable with Asionics Philippines, Inc., which portion of the Decision is **SET ASIDE**; in all other respects, however, the questions Decision is **AFFIRMED** and remains unaffected. No costs.

**SO ORDERED.**

**Davide, Jr., Bellosillo, Panganiban and Quisumbing, JJ.,  
concur.**

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- [1] Rollo, pp. 22-31.  
[2] Ibid., pp. 32-33.  
[3] “Art. 286. When employment not deemed terminated. — The bona fide suspension of the operation of a business or undertaking for a period not exceeding six (6) months, or the fulfillment by the employee of a military or civic duty shall not terminate employment. In all such cases, the employer shall reinstate the employee to his former position without loss of seniority rights if he indicates his desire to resume his work not later than one (1) month from the resumption of operation of his employer or from his relief from the military or civil duty.”  
[4] Rollo, p. 6.  
[5] Ibid., p. 25.  
[6] Ibid., p. 73.  
[7] Ibid., pp. 54-65.  
[8] Rollo, p. 65.  
[9] Ibid., pp. 34-39.  
[10] Ibid., pp. 68-89.  
[11] Ibid., pp. 22-31.  
[12] Ibid., p. 11.  
[13] Ibid., pp. 107-108.  
[14] 254 SCRA 673.  
[15] At pp. 681-685; see also *Businessday Information Systems and Services, Inc., vs. NLRC*, 221 SCRA 9; *Garcia vs. NLRC*, 153 SCRA 639.