**SUPREME COURT**
**EN BANC**

**BENGUET CONSOLIDATED, INC.,**
***Plaintiff-Appellant*,**

***-versus-***

**G.R. No. L-24711**
**April 30, 1968**

**BCI EMPLOYEES & WORKERS UNION-PAFLU, PHILIPPINE ASSOCIATION OF FREE LABOR UNIONS, CIPRIANO CID and JUANITO GARCIA,**
***Defendants-Appellees.***
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**D E C I S I O N**

**BENGZON, *J.*:**

The contending parties in this case — Benguet Consolidated, Inc., ("BENGUET") on the one hand, and on the other BCI Employees & Workers Union ("UNION") and the Philippine Association of Free Labor Unions ("PAFLU") — do not dispute the following factual settings established by the lower court.

On June 23, 1959, the Benguet-Balatoc Workers Union ("BBWU"), for and in behalf of all BENGUET employees in its mines and milling establishment located at Balatoc, Antamok and Acupan, Municipality of Itogon, Mt. Province, entered into a Collective Bargaining Contract,

Exh. "Z" ("CONTRACT") with BENGUET. Pursuant to its very terms, said CONTRACT became effective for a period of four and a half (4-1/2) years, or from June 23, 1959 to December 23, 1963. It likewise embodied a No-Strike, No-Lockout clause.[1]

About three years later, or on April 6, 1962, a certification election was conducted by the Department of Labor among all the rank and file employees of BENGUET in the same collective bargaining units. UNION obtained more than 50% of the total number of votes, defeating BBWU, and accordingly, the Court of Industrial Relations, on August 18, 1962, certified UNION as the sole and exclusive collective bargaining agent of all BENGUET employees as regards rates of pay, wages, hours of work and such other terms and conditions of employment allowed them by law or contract.

Subsequently, separate meetings were conducted on November 22, 23 and 24, 1962 at Antamok, Balatoc and Acupan Mines respectively by UNION. The result thereof was the approval by UNION members of a resolution[2] directing its president to file a notice of strike against BENGUET for:

> "1. [Refusal] to grant any amount as monthly living allowance for the workers;
>
> "2. Violation of Agreements reached in conciliation meetings among which is the taking down of investigation [sic] and statements of employees without the presence of union representative;
>
> "3. Refusal to dismiss erring executive after affidavits had been presented, thereby company showing [sic] bias and partiality to company personnel;
>
> "4. Discrimination against union members in the enforcement of disciplinary actions."

The Notice of Strike[3] was filed on December 28, 1962. Three months later, in the evening of March 2, 1963, UNION members who were BENGUET employees in the mining camps at Acupan, Antamok and

Balatoc, went on strike. Regarding the conduct of the strike, the trial court reports:[4]

> "Picket lines were formed at strategic points within the premises of the plaintiff. The picketers, by means of threats and intimidation, and in some instances by the use of force and violence, prevented passage thru the picket lines by personnel of the plaintiff who were reporting for work. Human blocks were formed on points of entrance to working areas so that even vehicles could not pass thru, while the officers of the plaintiff were not allowed for sometime to leave the 'staff' area.
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> "The strikers forming picket lines bore placards with the letters BBWU-PAFLU written thereon, As a general rule, the picketers were unruly, aggressive and uttered threatening remarks to staff members and non-strikers who desire to pass thru the picket lines. On some occasions, the picketers resorted to violence by pushing back the car wherein staff officers were riding who would like to enter the mine working area. The picketers lifted one side of the vehicle and were in the act of overturning it when they were prevented from doing so by the timely intervention of PC soldiers, who threw tear gas bombs to make the crowd disperse. Many of the picketers were apprehended by the PC soldiers and criminal charges for grave coercion were filed against them before the Court of First Instance of Baguio. Two of the strike leaders and twenty-two picketers, however, were found guilty of light coercion while nineteen other accused were acquitted.
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> "There was a complete stoppage of work during the strike in all the mines. After two weeks had elapsed, repair and maintenance of the water pump was allowed by the strikers and some of the staff members were permitted to enter the mines, who inspected the premises in the company of PC soldiers to ascertain the extent of the damage to the equipment and losses of company property."

x x x

On May 2, 1963, the parties agreed to end the raging dispute. Accordingly, BENGUET and UNION executed the AGREEMENT, Exh. 1. PAFLU placed its conformity thereto and said agreement was attested to by the Director of the Bureau of Labor Relations. About a year later or on January 29, 1964, a collective bargaining contract was finally executed between UNION-PAFLU and BENGUET.[5]

Meanwhile, as a result, allegedly, of the strike staged by UNION and its members, BENGUET had to incur expenses for the rehabilitation of mine openings, repair of mechanical equipment, cost of pumping water out of the mines, value of explosives, tools and supplies lost and/or destroyed, and other miscellaneous expenses, all amounting to P1,911,363.83. So, BENGUET sued UNION, PAFLU and their respective Presidents to recover said amount in the Court of First Instance of Manila, on the sole premise that said defendants breached their undertaking in the existing CONTRACT not to strike during the effectivity thereof.

In answer to BENGUET's complaint, defendants unions and their respective presidents put up the following defenses: (1) they were not bound by the CONTRACT which BBWU, the defeated union, had executed with BENGUET; (2) the strike was due, inter alia, to unfair labor practices of BENGUET; and (3) the strike was lawful and in the exercise of the legitimate rights of UNION-PAFLU under Republic Act 875.

Issues having been joined, trial commenced. On February 23, 1965, the trial court rendered judgment dismissing the complaint on the ground that the CONTRACT, particularly the No-Strike clause, did not bind defendants. The latters' counterclaim was likewise denied. Failing to get a reconsideration of said decision, BENGUET interposed the present appeal.

The several errors assigned by BENGUET basically ask three questions:

(1) Did the Collective Bargaining Contract executed between Benguet and BBWU on June 23, 1959 and effective until December 23, 1963 automatically bind UNION-PAFLU upon its certification, on August 18, 1962, as sole

bargaining representative of all BENGUET employees?

(2) Are defendants labor unions and their respective presidents liable for the illegal acts committed during the course of the strike and picketing by some union members?

(3) Are defendants liable to pay the damages claimed by BENGUET?

In support of an affirmative answer to the first question, BENGUET first invokes the so-called "Doctrine of Substitution" referred to in General Maritime Stevedore's Union vs. South Sea Shipping Lines, L-14689, July 26, 1960. There it was remarked:

x x x

> "We also hold that where the bargaining contract is to run for more than two years, the principle of substitution may well be adopted and enforced by the CIR to the effect that after two years of the life of a bargaining agreement, a certification election may be allowed by the CIR, that if a bargaining agent other than the union or organization that executed the contract, is elected, said new agent would have to respect said contract, but that it may bargain with the management for the shortening of the life of the contract if it considers it too long, or refuse to renew the contract pursuant to an automatic renewal clause." (Emphasis for emphasis)

x x x

The submission utterly fails to persuade Us. The above-quoted pronouncement was obiter dictum. The only issue in the General Maritime Stevedores' Union case was whether a collective bargaining agreement which had practically run for 5 years constituted a bar to certification proceedings. We held it did not and accordingly directed the court a quo to order certification elections. With that, nothing more was necessary for the disposition of the case. Moreover, the pronouncement adverted to was rather premature. The possible certification of a union different from that which signed the bargaining contract was a mere contingency then since the elections

were still to be held. Clearly, the Court was not called upon to rule on the possible effects of such proceedings on the bargaining agreement.[6]

But worse, BENGUET's reliance upon the Principle of Substitution is totally misplaced. This principle, formulated by the NLRB[7] as its initial compromise solution to the problem facing it when there occurs a shift in employees' union allegiance after the execution of a bargaining contract with their employer, merely states that even during the effectivity of a collective bargaining agreement executed between employer and employees thru their agent, the employees can change said agent but the contract continues to bind them up to its expiration date. They may bargain however for the shortening of said expiration date.[8]

In formulating the "substitutionary" doctrine, the only consideration involved was the employees' interest in the existing bargaining agreement. The agent's interest never entered the picture. In fact, the justification[9] for said doctrine was:

> "That the majority of the employees, as an entity under the statute, is the true party in interest to the contract, holding rights through the agency of the union representative. Thus, any exclusive interest claimed by the agent is defeasible at the will of the principal." (Emphasis supplied)

Stated otherwise, the "substitutionary" doctrine only provides that the employees cannot revoke the validly executed collective bargaining contract with their employer by the simple expedient of changing their bargaining agent. And it is in the light of this that the phrase "said new agent would have to respect said contract" must be understood. It only means that the employees, thru their new bargaining agent, cannot renege on their collective bargaining contract, except of course to negotiate with management for the shortening thereof.

The "substitutionary" doctrine, therefore, cannot be invoked to support the contention that a newly certified collective bargaining agent automatically assumes all the personal undertakings — like the no-strike stipulation here — in the collective bargaining agreement

made by the deposed union. When BBWU bound itself and its officers not to strike, it could not have validly bound also all the other rival unions existing in the bargaining units in question. BBWU was the agent of the employees, not of the other unions which possess distinct personalities. To consider UNION contractually bound to the no-strike stipulation would therefore violate the legal maxim that *res inter alios acta alios nec prodest nec nocet*.[10]

Of course, UNION, as the newly certified bargaining agent, could always voluntarily assume all the personal undertakings made by the displaced agent. But as the lower court found, there was no showing at all that, prior to the strike,[11] UNION formally adopted the existing CONTRACT as its own and assumed all the liabilities imposed by the same upon BBWU.

BENGUET also alleges that UNION is now in estoppel to claim that it is not contractually bound by the CONTRACT for having filed on September 28, 1962, in Civil Case No. 1150 of the Court of First Instance of Baguio, entitled "Bobok Lumber Jack Ass'n. vs. Benguet Consolidated, Inc. and BCI EMPLOYEES WORKERS Union-PAFLU"[12] a motion praying for the dissolution of the ex parte writ of preliminary injunction issued therein, wherein the following appears:

> "In that case, the CIR transferred the contractual rights of the BBWU to the defendant union. One of such rights transferred was the right to the modified union-shop-checked off union dues arrangement now under injunction.
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> "The collective bargaining contract mentioned in the plaintiff's complaint did not expire by the mere fact that the defendant union was certified as bargaining agent in place of the BBWU. The Court of Industrial Relations in the case above mentioned made it clear that the collective bargaining contract would be respected unless and until the parties act otherwise. In effect, the defendant union by act of subrogation took the place of the BBWU as the UNION referred to in the contract." (Emphasis supplied)

There is no estoppel. UNION did not assert the above statement against BENGUET to force it to rely upon the same to effect the union

check- off in its favor. UNION and BENGUET were together as co-defendants in said Civil Case No. 1150. Rather, the statement was directed against Bobok Lumber Jack Ass'n., plaintiff therein, to weaken its cause of action. Moreover, BENGUET did not rely upon said statement. What prompted Bobok Lumber Jack Ass'n. to file the complaint for declaratory relief was the fact that "the defendants [UNION and BENGUET] are planning to agree to the continuation of a modified union shop in the three camps mentioned above without giving the employees concerned the opportunity to express their wishes on the matter." BENGUET even went further in its answer filed on October 18, 1962, by asserting that "defendants have already agreed to the continuation of the modified union shop provision in the collective bargaining agreement."[13]

Neither can we accept BENGUET's contention that the inclusion of said aforequoted motion in the record on appeal filed in said Civil Case No. 1150, now on appeal before Us docketed as case No. L-24729, refutes UNION's allegation that it has subsequently abandoned its stand against Bobok Lumber Jack Ass'n., in said case. The mere appearance of such motion in the record on appeal is but a compliance with the procedural requirement of Rule 41, Sec 6, of the Rules of Court, that all matters necessary for a proper understanding of the issues involved be included in the record on appeal. This therefore cannot be taken as a rebuttal of the UNION's explanation.

There is nothing then, in law as well as in fact, to support plaintiff BENGUET's contention that defendants are contractually bound by the CONTRACT. And the stand taken by the trial court all the more becomes unassailable in the light of Art. 1704 of the Civil Code providing that:

> "In collective bargaining, the labor union or members of the board or committee signing the contract shall be liable for non-fulfillment thereof." (Emphasis supplied)

There is no question, defendants were not signatories nor participants in the CONTRACT.

Lastly, BENGUET contends, citing Clause II in connection with Clause XVIII of the CONTRACT, that since all the employees, as

principals, continue being bound by the no-strike stipulation until the CONTRACT's expiration, UNION, as their agent, must necessarily be bound also pursuant to the Law on Agency. This is untenable. The way We understand it, everything binding on a duly authorized agent; acting as such, is binding on the principal; not vice-versa, unless there is mutual agency, or unless the agent expressly binds himself to the party with whom he contracts. As the Civil Code decrees it:[14]

> "The agent who acts as such is not personally liable to the party with whom he contracts, unless he expressly binds himself or exceeds the limits of his authority without giving such party sufficient notice of his powers." (Emphasis supplied)

Here, it was the previous agent who expressly bound itself to the other party, BENGUET. UNION, the new agent, did not assume this undertaking of BBWU.

In view of all the foregoing, We see no further necessity of delving further into the other less important points raised by BENGUET in connection with the first question.

On the second question, it suffices to consider, in answer thereto, that the rule of vicarious liability has, since the passage of Republic Act 875, been express]y legislated out.[15] The standing rule now is that for a labor union and/or its officials and members to be liable, there must be clear proof of actual participation in or authorization or ratification of the illegal acts.[16] While the lower court found that some strikers and picketers resorted to intimidation and actual violence, it also found that defendants presented uncontradicted evidence that before and during the strike, the strike leaders had time and again warned the strikers not to resort to violence but to conduct peaceful picketing only.[17] Assuming that the strikers did not heed these admonitions coming from their leaders, the failure of the union officials to go against the erring union members pursuant to the UNION and PAFLU constitutions and by-laws exposes, at the most, only a flaw or weakness in the defense which, however, cannot be the basis for plaintiff BENGUET to recover.

Lastly, paragraph VI of the Answer[18] sufficiently traverses the material allegations in paragraph VI of the Complaint,[19] thus

precluding a fatal admission on defendants' part. The purpose behind the rule requiring specific denial is obtained: defendants have set forth the matters relied upon in support of their denial. Paragraph VI of the Answer may not be a model pleading, but it suffices for purposes of the rule. Pleadings should, after all, be liberally construed.[20]

Since defendants were not contractually bound by the no-strike clause in the CONTRACT, for the simple reason that they were not parties thereto, they could not be liable for breach of contract to plaintiff. The lower court therefore correctly absolved them from liability.

**WHEREFORE**, the judgment of the lower court appealed from is hereby affirmed. No costs.

**SO ORDERED.**

**Dizon, Zaldivar, Sanchez, Ruiz Castro, Angeles and Fernando, *JJ*., concur.**

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[1] Clause XVIII, entitled "INDUSTRIAL PEACE", pars. B and C.
[2] Exhibit "2".
[3] Neither of the parties presented this Notice as evidence.
[4] Record on Appeal, pp. 40-41.
[5] See Exhibit "3".
[6] See Buklod ng Saulog Transit vs. Casalla, 99 Phil. 16.
[7] National Labor Relations Board, counterpart of our Court of Industrial Relations.
[8] See: "CHANGE OF BARGAINING REPRESENTATIVE DURING THE LIFE OF A COLLECTIVE AGREEMENT UNDER THE WAGNER ACT", Note appearing in 51 Yale Law Journal, 465.
[9] 51 Yale Law Journal, 465.
[10] 77 C.J.S. 275.
[11] After the end of the strike, UNION agreed, in the return-to- work Agreement executed on May 2, 1963, to respect the CONTRACT for the remaining period of effectivity thereof.
[12] This was an action brought by one of the defeated unions seeking a declaratory judgment that UNION cannot enter into an agreement with BENGUET to continue the modified union shop embodied in the

CONTRACT and praying that, pendente lite, BENGUET be restrained from effecting any union check-off in UNION's favor.

[13] See Record on Appeal in L-24729, pp. 6,56.

[14] Art. 1897.

[15] Sec. 9(c), Republic Act 875.

[16] Rothenberg on LABOR RELATIONS, p. 202.

[17] Record on Appeal, p. 48.

[18] "They deny the allegations in paragraph VI. (a) The picketing and strike of defendants were conducted peacefully, properly and without fraud or violence; (2) It was the plaintiff that caused untold harm and damages to the defendants by unlawfully violating and breaking up the strike and picketing."

[19] "That in furtherance and in connection with the strike illegally and unlawfully called, declared and enforced by defendants, the said defendants conspiring and confabulating together ordered, caused and directed the strikers to conduct picketing within the property of plaintiff, and by means of force, violence and intimidation prevented, stopped, and obstructed officials of plaintiff company from going to the different offices, working areas and underground tunnels of plaintiff company thus preventing them from doing and performing maintenance work and taking such other measures to prevent or minimize damages to plaintiff's property;"

[20] Rule 6, Sec. 15, Rules of Court.