

CHANROBLES PUBLISHING COMPANY

**SUPREME COURT
SECOND DIVISION**

**KAISAHAN NG MGA MANGGAGAWA
SA LA CAMPANA, ET AL.,**
Petitioners,

-versus-

**G.R. No. L-47853
November 16, 1984**

**HON. JUDGE ULPIANO SARMIENTO
and LA CAMPANA, INCORPORATED,**
Respondents.

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DECISION

CUEVAS, J.:

Petition for Certiorari with prayer that judgment be rendered annulling or modifying the restraining order dated October 20, 1976^[1] issued by the former Court of First Instance of Rizal and Quezon City – Branch IX, in Civil Case No. Q-20414, entitled, “La Campana, Incorporated versus Kaisahan Ng Mga Manggagawa sa La Campana – (KKM), et al.”

Wayback in June 19, 1951, petitioner Union submitted to the respondent company a petition demanding for better working conditions and other benefits including the reinstatement of nine (9) dismissed workers. Upon refusal of the company to grant said

demands, the case was elevated to the Department (now Ministry) of Labor for conciliation. When no agreement was reached, the case was certified to the defunct Court of Industrial Relations (CIR) on July 19, 1951, where it was docketed as Case No. 584-V. On July 21, 1951, the CIR issued a return-to-work order and enjoined the company from further laying off or dismissing laborers as well as hiring new employees without express authority from the court.

Despite said order, the company hired 21 new workers during the pendency of the case, hence, the union filed a "Petition for Contempt" docketed as Case No. 584-V(1). On July 26, 1951, the company requested the CIR for authority to dismiss Loreto Bernabe, the President of the Union, docketed as Case No. 584-V(2). Bonifacio Calderon, the Union's treasurer, was refused admittance by the company when he presented himself for work along with other workers pursuant to the return-to-work order of July 21, 1951. The Union then filed Case No. 584-V(3) for Calderon's reinstatement with backwages.

On August 24, 1951, the company petitioned the court in Case No. 584-V(4) for authority to rotate workers which case was subsequently withdrawn before judgment could be rendered. On February 13, 1952, the union again filed Case No. 584-V(5) for the dismissal by the company of Marcelo Estrada and Exequiel Rapiz without just cause and authority from the court.

Petitioners filed Case No. 584-V(6) with the CIR seeking the reinstatement of Messrs. Loreto Bernabe and Timoteo Foronda, President and Vice-President of the Union, respectively, who were dismissed by respondent along with other eight workers. On July 9, 1953, respondent requested the CIR to order a certification election to determine who, between petitioner and the Consolidated Labor Association of the Philippines, should be considered as the appropriate bargaining representative of the employees. It was likewise averred by respondent that Tan Tong, the owner-proprietor of the business had been authorized by a court order to change his name to Ramon Tantongco and had in fact taken his oath as a Filipino citizen in December 1952; and that the corporate name of respondent had been changed to La Campana Food Products, Incorporated, effective as of January 30, 1953.

Petitioner moved for the inclusion of Ricardo Tantongco, as administrator of the estate of Ramon Tantongco who died on May 16, 1956. Ricardo Tantongco moved for the dismissal of Cases Nos. 584-V(1-6) on the ground that said cases partake of money claims which should therefore be filed instead with the probate court in charge of the settlement of the decedent's estate.

On November 12, 1956, the CIR rendered a partial decision in Case No. 584-V, declaring respondent guilty of unfair labor practice for dismissing certain members of petitioner and hiring new workers without first securing authority from the court. Respondent's motion for reconsideration was denied, and after which, the CIR ordered the Chief Examiner to submit a report of the computation of the wages due the laborers involved. Respondents appealed to this Court.

On February 18, 1957, the CIR issued another order embodying its separate resolutions in Cases Nos. 584-V(1-6) wherein respondents were found guilty of violating the return-to-work order of July 21, 1951 but were absolved from any criminal liability since the death of Ramon Tantongco occurred before the finality of the decision and decreed the reinstatement with backwages of the illegally dismissed workers, with the exception of Gerardo Ligutan.

Again, respondents appealed the said order of February 18, 1957 to this Court^[2] after their motion for reconsideration was denied by the CIR on April 29, 1957. Meanwhile, this Court dismissed respondents' appeal on June 12, 1957.

On July 17, 1957, the CIR ordered the respondents to deposit the amount of P61,770.77 and thereafter to make a monthly deposit equivalent to the salaries of the laborers involved in Case No. 584-V until actual reinstatement. Respondents asked for reconsideration on the ground of prescription for failure to present the claim before the probate court during the deceased's estate settlement proceedings.

Meanwhile, the CIR's Chief Examiner rendered a report computing the total backwages of the laborers which amounted to P65,534.01. The state settlement proceedings were completely terminated on April 29, 1957, thus Ricardo Tantongco notified the workers that the

“La Campana Starch & Packing Company,” the business name by which all the businesses of Ramon Tantonco were carried on, would be closed on September 14, 1957. Respondents failed to comply with the CIR’s order of February 18, 1957 to readmit the 12 workers who reported for work and for such failure, petitioners moved for the execution of said order and thereafter, filed a petition for contempt on August 30, 1957. Respondents moved for the dismissal of the contempt petition on the ground that Ricardo Tantonco had been discharged as administrator of the estate effective as of April 29, 1957.

On September 16, 1957, petitioners filed the instant case^[3] praying for the reopening of respondents’ business and reinstatement of all the illegally dismissed workers with backwages and for the issuance of an order citing respondents in contempt of court.

The CIR on September 30, 1957, directed the respondent company or its manager or the persons in charge of the management and the administrator of Ramon Tantonco’s estate, to comply with the Order of February 18, 1957 by reinstating the workers named therein and depositing in Court the amount of P65,534.01. A complaint for indirect contempt was filed against Ricardo Tantonco for his refusal to admit the workers who reported for work pursuant to the return-to-work order of the Court. On the other hand, Tantonco filed a petition for certiorari with preliminary injunction^[4] with this court to enjoin the CIR from proceeding with the contempt case and from enforcing its Order of September 30, 1957.

This Court enjoined the CIR from enforcing its order of September 30, 1957 which prompted respondents to move for the dismissal of Case No. 584-V(7), alleging that the main case^[5] is still pending consideration. The CIR denied said motion to dismiss on the ground that the writ issued had particular reference to Cases Nos. 584-V(1-6) not to Case No. 584-V(7). However, the CIR likewise suspended the proceedings in Case No. 584-V(7) just the same in view of the pendency of the main case before this Court.

On September 22, 1959, this Court dismissed Tantonco’s petition in G.R. No. L-13119 and dissolved the writ of preliminary injunction issued on November 21, 1957, on a finding that “the La Campana Starch & Food Products Company which stands for the La Campana

Starch & Coffee Factory are entities with legal personalities distinct from that of Ramon Tantongco; that after the death of Ramon, these two entities continued to exist and operate under the management of petitioner (Ricardo Tantongco) and that consequently the latter is the proper person and official to which the orders of the CIR are addressed and who is duty bound to comply with the same.”^[6]

On June 16, 1962, the Supreme Court dismissed respondent’s appeal from the CIR’s partial decision in Case No. 584-V dated November 12, 1956. The CIR examiner submitted another report pegging the additional backwages due the laborers at P63,588.00 for the period from August 1, 1957 to August 31, 1962 in addition to the amount of P65,534.01 set forth in his first report.

The CIR issued a writ of execution on January 25, 1966 and directed the Sheriff of Manila to cause respondents to reinstate the nine (9) workers and to collect from the latter the amount of P65,534.01 as backwages in Case No. 584-V(1); P61,770.77 plus P65,006.50 representing the backwages in Cases Nos. 584-V(1), (3), (5) and (6) from August 1, 1957 to August 31, 1962 and to turn them over to the court for further disposition. Upon motion of petitioner, the CIR issued an amended writ of execution on July 3, 1967 so as to include La Campana Gaugau Packing Company, La Campana Coffee Factory, Inc., La Campana Food Products, Inc. and/or Ricardo Tantongco for the latter’s continued refusal to acknowledge receipt of the writ of execution. The examiner’s Second Updated report showed a total backwages due to the laborers in the amount of P128,356.50, and again respondents were directed to deposit the said amount in court. For failure of respondents to comply with the said directive, the court issued another writ of execution on October 27, 1971.

The Second Updated Report expired on July 31, 1968 without respondents having reinstated the laborers nor paid their backwages. Petitioner then filed a motion on May 29, 1972 to update the computation of the backwages to be reckoned from August 1, 1968 up to the date of their actual reinstatement. Respondents opposed said request, contending that the judgment in Cases Nos. 584-V (1-6) may no longer be executed inasmuch as ten (10) years had already elapsed since its rendition; that the officers of the union had disauthorized its

counsel from seeking a writ of execution; and that the parties had entered into a collective bargaining agreement on October 12, 1970.

The CIR issued an alias amended writ of execution on March 15, 1973, stating that no ten years had elapsed since its last execution and that the resolution of July 3, 1967 from which the amended writ arose, had long become final and executory. Their motion for reconsideration having been denied, respondents again appealed to this court which dismissed the same on March 15, 1974. The dismissal order had become final on April 6, 1974, hence, the CIR again issued an alias amended writ of execution on August 8, 1974, directing the Sheriff to cause respondents to reinstate the dismissed workers and to pay them backwages which now amounted to P255,899.28, for the period covering August 1, 1957 to August 31, 1962, as well as to require respondents to sign a receipt showing that the workers have in fact been reinstated.

Case No. 584-V(7), subject of the present petition was set for hearing on August 29, 1974, after which the case was transferred to the newly constituted National Labor Relations Commission (NLRC) on September 17, 1974. The case was heard by Labor Arbiter Francisco de los Reyes who issued an order on February 4, 1975 directing the reinstatement of the dismissed workers and payment of their backwages for 10 years based on the salary they were receiving at the time of their separation. Of the 75 workers who initiated Case No. 584-V(7), 21 of them were subsequently involved in incident nos.(1) to (6), thereby leaving 53 complainants in incident no.(7).

Respondents appealed to the NLRC the order of Arbiter de los Reyes. On February 14, 1975, a joint "Report of Examiner" was submitted to the Commission showing a total amount of P704,582.00 representing 10 years backwages of the 53 complainants. Petitioner requested the NLRC to cite Ricardo Tantongco, Angelina Nepomuceno, the President of the Union and Atty. Herenio E. Martinez, counsel for respondent, in contempt of court for failure to implement the alias writ of execution issued by the Arbiter. The contempt petition was set for hearing by the Labor Arbiter on July 15, 1975.

On July 29, 1975, the NLRC en banc dismissed respondents' appeal for lack of merit. Pursuant to the CIR writ of execution dated July 3,

1967, the labor arbiter issued on August 19, 1975, an alias amended writ of execution in Cases Nos. 584-V(3), 584-V(5) and 584-V(6). Respondents then appealed to the Secretary (now Minister) of Labor, who affirmed the arbiter's decision appealed from but modified the award of backwages to the 53 workers by limiting the same to a period of three (3) years instead of ten (10) years, or in the amount of P211,374.60 instead of the original amount of P704,582.00. Petitioner moved for the execution of the decision while respondents brought their appeal to the Office of the President, which, affirmed the appealed decision as thus modified by the Secretary of Labor.

The decision of the Office of the President was rendered on July 20, 1976. In the meantime, while the appeal was still pending in Malacañang, respondent company, on August 20, 1975, filed Civil Case No. Q-20414 with the Quezon City Court of First Instance, Branch IX, for Specific Performance and damages against the new set of officers of the union for breach of contract, it appearing that these union officers entered into a Collective Bargaining Agreement^[7] with the management on September 16, 1969 withdrawing and waiving all and whatever benefits the individual union members are or may be entitled to as a result of the judgment in Case No. 584-V(7) and that they (union officers) did not take any step to dismiss the said case in violation of the said contract.

The union, through its Secretary, Clarita de la Cruz, assisted by counsel, entered into a Compromise Agreement with Ricardo S. Tantongco, assisted by his counsel, on October 10, 1975 waiving all claims and counterclaims of whatever nature arising out of or in connection with the present case.^[8] The Compromise Agreement, which was approved by the Court of First Instance on November 14, 1975 reads, thus:

“COME NOW, the parties in the above-entitled case, plaintiff represented by its Vice-President, Ricardo Tantongco and defendants Kaisahan Ng Mga Manggagawa sa La Campana (KKM), represented by its Secretary, Clarita de la Cruz, both assisted by their respective counsels, respectfully submit this Compromise Agreement, the terms of which are as follows:

- '1. Defendants recognize as their obligations under their Contract, Annex "A" of the Complaint, particularly under Par. 3, Art. IV, on Precedent Declaration, to dismiss and/or withdraw CIR Case No. 584-V(7) as the defendants had no more claims against the plaintiff and or respondents therein and the issues in said case having become moot and academic, and they hereby waived any and all right to execute whatever final judgment rendered in said case;
- '2. The union had agreed to the dismissal of the Case No. 584-V(7) in view of the fact that the original petition was filed against the La Campana Starch & Office Factory, a sole proprietorship of the late Ramon Tantongco, and who upon his death was substituted by Ricardo Tantongco as administrator of the intestate estate of the deceased Ramon Tantongco and after the Court order in Special Proceedings Case Q-1879 in Quezon City dated April 29, 1977 of the termination of the Intestate Proceedings, all the business of the (late Ramon Tantongco) were automatically closed, and cannot possibly be reopened, hence, it would be futile and useless for the union to proceed with the case unless reopened by the compulsory heirs which they did not;
- '3. Defendants further agree that any and all writs of executions that may have been issued or in the future may be issued shall be void and shall have no force and effect, whatsoever judicial or quasi-judicial body may have issued the same;
- '4. Parties agree to waive all claims and counterclaims of whatsoever nature or kind arising out of or in connection with the present case.

WHEREFORE, it is respectfully prayed that the foregoing Compromise Agreement be approved and a Decision be ordered approving the terms of the same.

Other reliefs just and equitable in the premises are also prayed for.

Manila, Philippines, October 10, 1975.

(SGD.)

CLARITA DE LA CRUZ

*In her capacity as Secretary of Kaisahan Ng Mga
Mangagawa sa La Campana (KKM)*

(SGD.)

RICARDO S. TANTONGCO

*Vice-President
La Campana, Inc.*

Assisted by:

(SGD.)

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(SGD.)

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On September 20, 1976, a deputy sheriff of the NLRC went to the premises of the company and served a copy of the Writ of Execution dated September 17, 1976 to enforce the Labor Arbiter's Order of February 4, 1975, directing the reinstatement with backwages of the 53 complainants in Case No. 584-V(7). Counsel for respondent company filed with the Court of First Instance an ex-parte motion to restrain execution on the ground that the subject case has already been considered as dismissed and/or abandoned by virtue of the court's approval of the Compromise Agreement. On October 20, 1976, the Court of First Instance issued an order restraining the sheriff from implementing the writ of execution until further orders. The

individual complainants, through counsel, filed a motion for reconsideration of the said order which motion, was however denied by the court on December 14, 1977.

Hence, the instant petition.

The complainants, now petitioners, question the jurisdiction of the Court of First Instance, in issuing the restraining order, contending that all matters arising out of employer-employee relations as well as those arising from unfair labor practice are exclusively vested upon the National Labor Relations Commission not upon the regular courts. Petitioners further alleged that the restraining order cannot and should not prejudice them because the union officers did not have the authority to compromise Case No. 584-V(7) much less represent or act for or in behalf of the individual members of the union in as much as the officers who signed the compromise agreement were not in any way involve in the labor case since they became members and eventually officers only long after the dismissal of petitioners and the subsequent institution of Case No. 584-V(7); and that to allow the union officers to compromise or withdraw the case without the knowledge of the individual complainants who are real parties in interest would in effect be a patent subversion of justice and fair play.

In its COMMENT, respondent company submits that petitioners have no legal personality nor capacity to question any order or decision emanating from Civil Case No. Q-20414 since they are not parties in the said case and should have intervened therein if they have legal interest in the subject matter.

We find merit in the petition.

The order of the then Court of First Instance dated October 20, 1976 sought to restrain the deputy sheriffs from implementing or enforcing the writ of execution issued in CIR Case No. 584-V(7). The first question that confronts US is whether or not the Court of First Instance has jurisdiction to restrain the enforcement of the judgment in CIR Case No. 584-V(7).

The defunct Court of Industrial Relations was vested by law with powers that generally pertain to courts of justice, one of which, is the power to control, in the furtherance of justice, the conduct of its ministerial officers and of all other persons in any manner connected with a case before it. Its successor, the National Labor Relations Commission, through its Commissioner or any Labor Arbiter, may issue writs of execution requiring a sheriff or a proper officer to execute final decisions, orders, or awards of the Commission, Labor Arbiters or Arbitrators, and appoint sheriffs and take any measure under existing laws and decrees as may be necessary to ensure compliance with their decisions, orders or awards.

Within the framework of the facts aforementioned, the Sheriff is undoubtedly acting in his capacity as a ministerial officer of the CIR or the NLRC, as the case may be, and therefore the power of control over him lies in the said agencies. To sanction the assumption by the Court of First Instance of jurisdiction by issuing a restraining order directed against said sheriff, will in effect curtail the powers vested by law with the industrial court or labor agency.

The complaint^[9] before the Court of First Instance made particular reference to the fact that there was an existing labor dispute between plaintiff company and the labor union. The Court of First Instance should have exercised caution in issuing the restraining order prayed for, since the very face of the complaint clearly indicate that CIR Case No. 584-V(7) principally involved an employer-employee relationship. The criterion to determine which court has the jurisdiction to issue injunction in labor dispute is whether the acts complained of arose out of, or are connected or interwoven with the cases which fall within the exclusive jurisdiction of the CIR (now vested with the National Labor Relations Commission). To allow the Court of First Instance to pass upon the issue of damages “would be to sanction split jurisdiction which is prejudicial to the orderly administration of justice.”^[10] Furthermore, there was an utter disregard of repeated pronouncement by this Court against grant of ex-parte injunctions and restraining orders. Injunctions in Labor disputes are not favored and may issue only after strict compliance with statutory requirements. Under the circumstances, the Court of First Instance should have dismissed the complaint or at least, should have suspended action thereon until after the labor dispute had been

finally settled. It must be recalled that the complaint was filed by the company during the pendency of the labor case before the Office of the President. Respondent court acted with grave abuse of discretion amounting to lack of jurisdiction in taking action over the complaint and in issuing a restraining order.

Article 255 of the New Labor Code, as amended by Section 4 of Batas Pambansa Blg. 227, provides:

“Art. 255. 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.”

Under Art. 218, of the Code, as amended by Sec. 3, B.P. Blg. 227, the Commission shall have the power and authority to enjoin or restrain any actual or threatened commission of any or all prohibited or unlawful acts in any labor dispute which may cause grave or irreparable damage to any party provided that said injunction shall be issued only after due notice and hearing.

Under Art. 264 of the Code as amended by Sec. 5, B.P. Blg. 227, the Minister of Labor and Employment shall assume jurisdiction or decide a labor dispute which in his opinion is likely to cause strikes or lockouts adversely affecting the national interest or he may certify the same to the commission for compulsory arbitration. Such assumption or certification shall have the effect of automatically enjoining the intended or impending strike or lockout.

It is therefore crystal clear, that the NLRC which took the place of the defunct CIR has exclusive jurisdiction over all matters and incidents prior to and after a decision has been rendered arising out of and in connection with a labor dispute, thus respondent Court of First Instance cannot enjoin the enforcement of any decision or awards rendered by the Commission.

We now come to the issue of whether or not petitioners-members have the necessary legal personality to bring suit against respondents for their (members) failure to intervene in Civil Case No. Q-20414.

Although petitioners-members are not the original parties in Civil Case No. Q-20414, they should not be deprived of their right to question the order of the Court of First Instance approving the Compromise Agreement since they are the ones who will stand to suffer and will be greatly prejudiced by the dismissal of the case. Petitioners' failure to intervene in the Civil Case is not without remedy. They can still avail of the writ of certiorari since the order in question would result in an immediate and direct injury to their respective interests. The labor union as a body does not in reality have a material interest in the outcome of the case. It is indeed the individual members who would be adversely affected in the event of the dismissal of the case after an extended litigation. One would hardly imagine the hardships suffered by the union members during all these years.

“Our consistent holding that when it comes to individual benefits accruing to members of a union from a favorable final judgment of any court, the members themselves become the real parties in interest and it is for them, rather than for the union, to accept or reject individually the fruits of the litigation. Those who stand to benefit from Our decision are entitled if they so desire, to take advantage thereof regardless of whatever stand the other members otherwise affected thereby may take.”^[11]

It has been held time and again that courts may set aside technicalities, all in the interest of substantial justice.

Anent the issue of the validity of the Compromise Agreement allegedly entered into by and between the Union represented by its Secretary, Clarita de la Cruz, and the company, represented by its Vice-President Ricardo Tantongco, the Secretary (now Minister) of Labor held that said agreement is void there being no ratification by the individual members of the union and that the presence of complainants during the proceedings before the Labor Arbiter and the presentation of evidence relative to the prosecution of their case are eloquent indication of their interest in pursuing their claims which negate the assertion that they have consented to the withdrawal thereof. We find no cogent reason to disturb the findings

of the Secretary of Labor absent any showing of abuse of discretion, it appearing that such findings are supported by substantial evidence.

Generally, a judgment on a compromise agreement puts an end to a litigation and is immediately executory. However, the Rules require a special authority before an attorney can compromise the litigation of their clients. The authority to compromise cannot lightly be presumed and should be duly established by evidence.^[12]

As aptly held by the Secretary of Labor, the records are bereft of showing that the individual members consented to the said agreement. Now were the members informed of the filing of the civil case before the Court of First Instance. If the parties to said agreement acted in good faith, why did they not furnish the Office of the President with a copy of the agreement when they knew all the while that the labor case was then pending appeal therein? Undoubtedly, the compromise agreement was executed to the prejudice of the complainants who never consented thereto, hence, it is null and void. The judgment based on such agreement does not bind the individual members or complainants who are not parties thereto nor signatories therein.

Money claims due to laborers cannot be the object of settlement or compromise effected by a union or counsel without the specific individual consent of each laborer concerned. The beneficiaries are the individual complainants themselves. The union to which they belong can only assist them but cannot decide for them. Awards in favor of laborers after long years of litigation must be attended to with mutual openness and in the best of faith.^[13] Only thus can we really give meaning to the constitutional mandate of giving laborers maximum protection and security. It is about time that the judgment in Case No. 584-V(7) be fully implemented considering the unreasonable delay in the satisfaction thereof. This unfortunate incident may only weaken the workingmen's faith in the judiciary's capacity to give them justice when due.

The fact that petitioners ceased to be connected with the company and that reinstatement may no longer be possible is no obstacle to the grant of the money claims to the petitioners considering that the

claims had already been adjudicated by final judgment and all that was being sought is its enforcement.

WHEREFORE, the petition is granted. The Decision dated November 14, 1975 and the October 20, 1976 and December 14, 1977 Orders issued in Civil Case No. Q-20414 are hereby declared **NULL and VOID** for want of jurisdiction and accordingly set aside.

The Ministry of Labor is hereby directed to cause the implementation of the judgment in CIR Case No. 584-V(7) in accordance with the above pronouncement.

No costs.

SO ORDERED.

Makasiar, Concepcion, Jr., Abad Santos and Escolin, JJ., concur.
Aquino, J., took no part.

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- [1] Page 9, Rollo.
 - [2] G.R. No. L-12355.
 - [3] Case No. 584-V(7).
 - [4] G.R. No. L-13119.
 - [5] Ibid.
 - [6] 106 Phil. 199.
 - [7] Page (Annex A), Original Records.
 - [8] Case No. 584-V(7).
 - [9] Complaint, Page 1, Original Records.
 - [10] Cyphil Employees Association - NATU vs. Pharmaceutical Industries, Inc., 77 SCRA 138.
 - [11] Esso Philippines, Inc. vs. MME, 75 SCRA 91.
 - [12] Caballero vs. Deiparine, 60 SCRA 136.
 - [13] Danao Development Corp. vs. NLRC, 81 SCRA 487-505.