SUPREME COURT
EN BANC

LA CAMPANA COFFEE FACTORY, INC., and TAN TONG, doing business under the trade name "LA CAMPANA GAUGAU PACKING",
***Petitioners*,**

-versus-

G.R. No. L-5677
May 25, 1953

KAISAHAN NG MGA MANGGAGAWA SA LA CAMPANA (KKM) and THE COURT OF INDUSTRIAL RELATIONS,
***Respondents*.**
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D E C I S I O N

REYES, *J.*:

Tan Tong, one of the herein petitioners, has since 1932 been engaged in the business of buying and selling gaugau under the trade name La Campana Gaugau Packing with an establishment in Binondo, Manila, which was later transferred to España Extension, Quezon City. But on July 6, 1950, Tan Tong, with himself and members of his family as sole incorporators and stockholders, organized a family corporation known as La Campana Coffee Factory Co., Inc., with its principal

office located in the same place as that of La Campana Gaugau Packing.

About a year before the formation of the corporation, or on July 11, 1949, Tan Tong had entered into a collective bargaining agreement with the Philippine Legion of Organized Workers, known as PLOW for short, to which the union of Tan Tong's employees headed by Manuel E. Sadde was then affiliated. Seceding, however, from the PLOW, Tan Tong's employees later formed their own organization known as Kaisahan Ng Mga Manggagawa Sa La Campana, one of the herein respondents, and applied for registration in the Department of Labor as an independent entity. Pending consideration of this application, the Department gave the new organization legal standing by issuing it a permit as an affiliate to the Kalipunan Ng Mga Kaisahang Manggagawa.

On July 19, 1951, the Kaisahan Ng Mga Manggagawa Sa La Campana, hereinafter to be referred to as the respondent Kaisahan, which, as of that date, counted with 66 members — workers all of them of both La Campana Gaugau Packing and La Campana Coffee Factory Co., Inc. — presented a demand for higher wages and more privileges, the demand being addressed to La Campana Starch and Coffee Factory, by which name they sought to designate, so it appears, the La Campana Gaugau Packing and the La Campana Coffee Factory Co., Inc. As the demand was not granted and an attempt at settlement through the mediation of the Conciliation Service of the Department of Labor had given no result, the said Department certified the dispute to the Court of Industrial Relations on July 17, 1951, the case being there docketed as Case No. 584-V.

With the case already pending in the industrial court, the Secretary of Labor, on September 5, 1951, revoked the Kalipunan Ng Mga Kaisahang Manggagawa's permit as a labor union on the strength of information received that it was dominated by subversive elements, and, in consequence, on the 20th of the same month, also suspended the permit of its affiliate, the respondent Kaisahan.

We have it from the court's order of January 15, 1952 which forms one of the annexes to the present petition, that following the revocation of the Kaisahan's permit, "La Campana Gaugau and Coffee

Factory" (obviously the combined name of La Campana Gaugau Packing and La Campana Coffee Factory Co., Inc.) and the PLOW, which had been allowed to intervene as a party having an interest in the dispute, filed separate motions for the dismissal of the case on the following grounds:

> "1. That the action is directed against two different entities with distinct personalities, with "La Campana Starch Factory" and the "La Campana Coffee Factory, Inc."
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> "2. That the workers of the "La Campana Coffee Factory, Inc." are less than thirty-one;
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> "3. That the petitioning union has no legal capacity to sue, because its registration as an organized union has been revoked by the Department of Labor on September 5, 1951, and
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> "4. That there is an existing valid contract between the respondent "La Campana Gaugau Packing" and the intervenor PLOW, wherein the petitioner's members are contracting parties bound by said contract."

Several hearings were held on the above motions, in the course of which ocular inspections were also made, and on the basis of the evidence received and the facts observed in the ocular inspections, the Court of Industrial Relations denied the said motions in its order of January 14, 1952, because it found as a fact that:

> "A. While the coffee corporation is a family corporation with Mr. Tan Tong, his wife, and children as the incorporators and stockholders (Exhibit 1), the La Campana Gaugau Packing is merely a business name (Exhibit 4).
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> "B. According to the contract of lease (Exhibit 23), Mr. Tan Tong, proprietor and manager of the La Campana Gaugau Factory, leased a space of 200 square meters in the bodega housing the gaugau factory to his son Tan Keng Lim, manager of the La Campana Coffee Factory. But the lease was executed

only on September 1, 1951, while the dispute between the parties was pending before the Court.

"C. There is only one entity La Campana Starch and Coffee Factory, as shown by the signboard (Exhibit 1), the advertisement in the delivery trucks (Exhibit I-1), the packages of gaugau (Exhibit K), and delivery forms (Exhibits J, J-1, and J-2).

"D. All the laborers working in the gaugau or in the coffee factory receive their pay from the same person, the cashier, Miss Natividad Garcia, secretary of Mr. Tan Tong; and they are transferred from the gaugau to the coffee and vice-versa as the management so requires.

"E. There has been only one payroll for the entire La Campana personnel and only one person preparing the same — Miss Natividad Garcia, secretary of Mr. Tan Tong. But after the case at bar was certified to this Court on July 17, 1951, the company began making separate payrolls for the coffee factory (Exhibits M-2 and M-3, and for the gaugau factory (Exhibits O-2, O-3, and O-4). It is to be noted that before July 21, 1951, the coffee payrolls all began with number "41-Maria Villanueva" with 24 or more laborers (Exhibits M and M-1), whereas beginning July 21, 1951, the payrolls for the coffee factory began with No. 1-Loreta Bernabe with only 14 laborers (Exhibits M-2 and M-3).

"F. During the ocular inspection made in the factory on August 26, 1951, the Court has found the following:

> 'In the ground floor and second floor of the gau-gau factory there were hundreds of bags of raw coffee behind the pile of gaugau sacks. There were also women employees working paper wrappers for gaugau, and, in the same place there were about 3,000 cans to be used as containers for coffee.
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> 'The Court found out also that there were 16 trucks used both for the delivery of coffee and gaugau. To show that

> those trucks carried both coffee and gaugau, the union president invited the Court to examine the contents of delivery truck No. T-582 parked in a garage between the gaugau building and the coffee factory, and upon examination, there were found inside the said truck boxes of gaugau and cans of coffee,'"

and held that:

> "there is only one management for the business of gau-gau and coffee with whom the laborers are dealing regarding their work. Hence, the filing of action against the La Campana Starch and Coffee Factory is proper and justified.
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> With regards to the alleged lack of personality, it is to be noted that before the certification of the case to this Court on July 17, 1951, the petitioner Kaisahan ng Mga Manggagawa sa La Campana, had a separate permit from the Department of Labor. This permit was suspended on September 30, 1951. (Exhibit M-Intervenor, page 55, of the record). It is not true that, on July 17, 1951, when this case was forwarded to this Court, the petitioner's permit, as an independent union, had not yet been issued, for the very Exhibit MM-Intervenor regarding the permit, conclusively shows the preexistence of said permit." (Annex G.)

Their motion for reconsideration of the above order having been denied, Tan Tong and La Campana Coffee Factory, Inc. (same as La Campana Coffee Factory Co., Inc.), later joined by the PLOW, filed the present petition for certiorari on the grounds that the Court of Industrial Relations had no jurisdiction to take cognizance of the case, for the reason, according to them, "(1) that the petitioner La Campana Coffee Factory, Inc. has only 14 employees, only 5 of whom are members of the respondent union and therefore the absence of the jurisdictional number (30) as provided by Sections 1 and 4 of Commonwealth Act No. 103; and, (2) that the suspension of respondent union's permit by the Secretary of Labor has the effect of taking away the union's right to collective bargaining under Section 2

of Commonwealth Act No. 213 and, consequently, its personality to sue for and in behalf of its members."

As to the first ground, petitioners obviously do not question the fact that the number of employees of the La Campana Gaugau Packing involved in the case is more than the jurisdictional number (31) required by law, but they do contend that the industrial court has no jurisdiction to try the case as against La Campana Coffee Factory, Inc. because the latter has allegedly only 14 laborers and only five of these are members of the respondent Kaisahan. This contention loses force when it is noted that, as found by the industrial court — and this finding is conclusive upon us — La Campana Gaugau Packing and La Campana Coffee Factory Co. Inc., are operating under one single management, that is, as one business though with two trade names. True, the coffee factory is a corporation and, by legal fiction, an entity existing separate and apart from the persons composing it, that is, Tan Tong and his family. But it is settled that this fiction of law, which has been introduced as a matter of convenience and to subserve the ends of justice cannot be invoked to further an end subversive of that purpose.

> "Disregarding Corporate Entity. — The doctrine that a corporation is a legal entity existing separate and apart from the persons composing it is a legal theory introduced for purposes of convenience and to subserve the ends of justice. The concept cannot, therefore, be extended to a point beyond its reason and policy, and when invoked in support of an end subversive of this policy, will be disregarded by the courts. Thus, in an appropriate case and in furtherance of the ends of justice, a corporation and the individual or individuals owning all its stocks and assets will be treated as identical, the corporate entity being disregarded where used as a cloak or cover for fraud or illegality. (13 Am. Jur., 160-161.)
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> "A subsidiary or auxiliary corporation which is created by a parent corporation merely as an agency for the latter may sometimes be regarded as identical with the parent corporation, especially if the stockholders or officers of the two corporations are substantially the same or their system of operation unified." (Ibid. 162; see Annotation 1 A. L. R. 612, s. 34 A. L. R. 599.)

In the present case Tan Tong appears to be the owner of the gaugau factory. And the coffee factory, though an incorporated business, is in reality owned exclusively by Tan Tong and his family. As found by the Court of Industrial Relations, the two factories have but one office, one management and one payroll, except after July 17, the day the case was certified to the Court of Industrial Relations, when the person who was discharging the office of cashier for both branches of the business began preparing separate payrolls for the two. And above all, it should not be overlooked that, as also found by the industrial court, the laborers of the gaugau factory and the coffee factory were interchangeable, that is, the laborers from the gaugau factory were sometimes transferred to the coffee factory and vice-versa. In view of all these, the attempt to make the two factories appear as two separate businesses, when in reality they are but one, is but a device to defeat the ends of the law (the Act governing capital and labor relations) and should not be permitted to prevail.

The second point raised by petitioner is likewise without merit. In the first place, there being more than 30 laborers involved and the Secretary of Labor having certified the dispute to the Court of Industrial Relations, that court duly acquired jurisdiction over the case (International Oil Factory vs. NLU, Inc. 73 Phil., 401; Section 4, C. A. 108). This jurisdiction was not lost when the Department of Labor suspended the permit of the respondent Kaisahan as a Labor organization. For once jurisdiction is acquired by the Court of Industrial Relations it is retained until the case is completely decided. (Manila Hotel Employees Association vs. Manila Hotel Co. et al., 73 Phil., 374.)

In view of the foregoing, the petition is denied, with costs against the petitioner.

Paras, *C.J.*, Feria, Pablo, Bengzon, Tuason, Montemayor, Jugo, Bautista Angelo and Labrador, *JJ.*, concur.