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**SUPREME COURT  
FIRST DIVISION**

**LIBERTY COTTON MILLS WORKERS  
UNION, RAFAEL NEPOMUCENO,  
MARIANO CASTILLO, NELLY  
ACEVEDO, RIZALINO CASTILLO and  
RAFAEL COMBALICER,**

*Petitioners,*

*-versus-*

**G.R. No. L-33987  
September 4, 1975**

**LIBERTY COTTON MILLS, INC.,  
PHILIPPINE ASSOCIATION OF FREE  
LABOR UNION (PAFLU) and the  
COURT OF INDUSTRIAL RELATIONS,**

*Respondents.*

X-----X

**DECISION  
(RESOLUTION dated March 31, 1979)**

**ESGUERRA, J.:**

Petition for *Certiorari* to Review the Decision dated March 30, 1971 of the Court of Industrial Relations in Case No. 4216, dismissing petitioners' complaint for unfair labor practice.

The factual background of this case is as follows:

The Liberty Cotton Mills Workers Union, hereinafter referred to as the Union, adopted its Constitution and By-laws on January 1, 1959.<sup>[1]</sup> Among other things, the said Constitution provided:

#### ARTICLE I – NAME AND DOMICILE

“Section 1. The name of this organization shall be Liberty Cotton Mills Workers Union-PAFLU.

“Section 2. This Union shall have its office at 1233 Tecson, Tindalo, Tondo, Manila.

x x x

#### ARTICLE X – UNION AFFILIATION

“Section 1. The Liberty Cotton Mills Workers Union-Paflu shall be affiliated with the Philippine Association of Free Labor Unions, otherwise known as PAFLU, and shall remain an affiliate as long as ten or more of its members evidence their desire to continue the said local union's affiliation, in accordance with the Paflu Constitution, Article XI-Paragraph 11:15 thereof:

#### ARTICLE XIII – CHARGES, TRIALS, AN IMPEACHMENT OF OFFICERS AND MEMBERS: APPEALS

“Section 1. Any member or officer of the Liberty Cotton Mills Workers Union-Paflu may be charged, tried or impeached if an officer, in accordance with this and the PAFLU CONSTITUTION.

On October 1, 1959, a Collective Bargaining Agreement<sup>[2]</sup> was entered into by and between the Company and the Union represented by

PAFLU. Said Agreement contained these clear and unequivocal provisions:

“This Agreement, made and entered into this 1st day of October, 1959, in the City of Manila, by and between.

The LIBERTY COTTON MILLS INC., a corporation duly organized and existing under the laws of the Philippines, with principal office at 549 San Francisco Street, Karuhatan, Polo, Bulacan, hereinafter referred to as the COMPANY, represented in this Act by its President, Mr. RAFAEL GOSINGCO:

AND

THE PHILIPPINE ASSOCIATION OF FREE LABOR UNIONS, a legitimate labor organization existing and operating under the laws of the Philippines, with postal address at 1233 Tecson, Tindalo, Tondo, Manila, hereinafter referred to as the UNION, represented in this Act by its National Treasurer and duly authorized representative, Mr. CATALINO G. LUZANO herein acting for and in behalf of its affiliate the LIBERTY COTTON MILLS WORKERS UNION-PAFLU, and the employees of the Company in the appropriate bargaining unit hereinafter defined:.

WITNESSETH:

#### I. UNION RECOGNITION

The COMPANY recognizes the UNION as the sole bargaining agent for all of its employees, other than supervisors . . . consonant with the certification of the said UNION by the Court of Industrial Relations in Case No. 6Z7-MC, entitled “In re Petition for Certification Election, Liberty Cotton Mills, Inc., petitioner.”

#### III. UNION SECURITY

All employees who, at the time of the signing of this Agreement, are members of the UNION, or who, at any time during the

effectivity of this Agreement, may join the UNION, shall, as a condition for continued employment, remain members of the UNION while this agreement remains in force; any such employee, who, at any time during the life of this agreement, shall resign from the UNION or be expelled therefrom in accordance with its Constitution and By-Laws for non-payment of union dues or other duly approved union assessments, or for disloyalty to the UNION shall be dismissed from employment by the COMPANY upon request in writing by the UNION, which shall hold the COMPANY free from any liability arising from or caused by such dismissal.

## XI. TERM

This Agreement shall be effective from October 1, 1959 to September 30, 1961, during which time it shall be binding upon the parties hereto and all the employees of COMPANY comprised within the appropriate bargaining unit defined above, and may not be modified by court action, by concerted activities or by any other means. x x x Should either party fail to give written notice to the other of its desire to amend or discontinue this Agreement at least thirty (30) days from the expiry date set forth above, this Agreement shall be continued in force for one (1) year, and thereafter for yearly terms, unless written notice is given at least thirty (30) days from the expiration of the contract.

The above Collective Bargaining Agreement was amended on February 28, 1964, thus:<sup>[3]</sup>

### “Article III. UNION SECURITY Additional Clause

The Company agrees to encourage casual workers and non-union members to join the Union which is the sole and exclusive agent for all the employees covered by this Agreement.

## “Article XI. DURATION

The Duration of this Agreement shall be for two (2) years, that is from November 2, 1963 up to November, 1965.”

The Agreements aforementioned bore the signatures of representatives of both the Company and the PAFLU, and the incumbent President of the local union.

On March 13, 1964, while the Collective Bargaining Agreement was in full force, Marciano Castillo and Rafael Nepomuceno, President and Vice-President, respectively, of the local union, wrote PAFLU, its mother federation, complaining about the legal counsel assigned by the PAFLU to assist them in a ULP case (Case No. 4001) they filed against the Company. In said letter, the local union expressed its dissatisfaction and loss of confidence in the PAFLU lawyers, claiming that PAFLU never lifted a finger regarding this particular complaint.

On May 17, 1964, thirty two (32) out of the 36 members of the local union disaffiliated themselves from respondent PAFLU pursuant to their local union’s Constitution and By-Laws, specifically Article X thereof, supra (p. 12 Record). A copy of the signed resolution of disaffiliation was furnished the Company as well as the Bureau of Labor Relations. The following day, the local union wrote the Company and required the turn-over of the checked-off dues directly to its Treasurer.

On May 27, 1964, PAFLU, thru its National Secretary wrote the Company this letter:

“This is to inform your good office that sometime last May 25, 1964, our federation was in receipt of a letter signed by 32 persons and informing us of their desire to disaffiliate the local union from the mother federation - PAFLU. The members and officers who made the letter have no right to do the same under our existing contract and under the PAFLU’s Constitution and By-Laws.

“We wish to make it clear with the management that the contractual union in our contract which was signed a few

months ago is the Philippine Association of Free Labor Union (PAFLU). The actuation made by the supposed union members is inconsistent with the present contract we have and under the provisions of "Maintenance of Union Membership" they can all be dismissed. Under the PAFLU's Constitution that is null and void. And in view of the disloyalty shown by those members, the mother federation will take over the administration of the Union in dealing with the management especially.

"We inform your goodself that the mother federation is not honoring the said letter and we request you do the same under the circumstances.

"Hence, all the communications pertaining to union business and other relative matters be coursed to the mother federation for prompt action."

And on May 29, 1964, PAFLU wrote the Company again, this time quoting en toto Article III of the Collective Bargaining Agreement on "Union Security" and requesting the termination of the employment of Rafael Nepomuceno, Marciano Castillo, Nelly Acevedo, Enrique Managan, Rizalino Castillo and Rafael Combalicer, all petitioners herein. PAFLU at the same time expelled the aforementioned workers from their union membership in the mother federation for allegedly "instigating union disaffiliation."

On May 30, 1964, the Company terminated the employment of the members expelled by the PAFLU (Exhs. "D", "D-1" to "D-3" pp. 14-17 Record). On the last day of May, 1964, counsel for the ousted workers wrote the Company requesting their reinstatement. This was denied by the Company; hence the complaint for unfair labor practice filed with the Court of Industrial Relations.

After due hearing, the Court rendered its decision dismissing the complaint, but with a strong recommendation for the reinstatement of complainant workers in respondent Company. The workers (petitioners herein) being unsatisfied with the decision, appealed to this Court and raised the following questions:

1. Under the Collective Bargaining Agreement, who between the PAFLU and the local union is the sole bargaining agent of the workers of the Company?
2. Was the disaffiliation of the local union from the PAFLU valid and justified under the Constitution and By-laws of the Union?
3. Was the disaffiliation of the Union from the PAFLU an act of disloyalty of the petitioners (workers) which could be a valid ground for their expulsion from their own union and their dismissal from the Company?
4. Does the PAFLU as the mother federation of the union possess the power to expel the officers and members of the union under the Constitution and By-Laws? And assuming it has such powers, were the petitioner workers validly expelled from the Union in accordance with the Constitution and By-Laws?
5. May the workers be summarily dismissed by the Company under the Collective Bargaining Agreement even without valid proof of their valid expulsion from their own union?
6. Did not the dismissal of only the five (5) petitioner workers constitute discrimination, considering that the disaffiliation was signed by more than the majority of the union members?

All these questions boil down to the single issue of whether or not the dismissal of the complaining employees, petitioners herein, was justified or not. The resolution of this question hinges on a precise and careful analysis of the Collective Bargaining Agreements. (Exhs. "H" and "I") In these contracts it appears that PAFLU has been recognized as the sole bargaining agent for all the employees of the Company other than its supervisors and security guards. Moreover it likewise appears that "PAFLU, represented in this Act by its National Treasurer, and duly authorized representative, (was) acting for and in behalf of its affiliate, the Liberty Cotton Mills Workers Union and the employees of the Company, etc." In other words, the PAFLU, acting for and in behalf of its affiliate, had the status of an agent while the

local union remained the basic unit of the association free to serve the common interest of all its members including the freedom to disaffiliate when the circumstances warrant. This is clearly provided in its Constitution and By-Laws, specifically Article X on Union Affiliation, supra. At this point, relevant is the ruling in an American case:<sup>[4]</sup>

“The locals are separate and distinct units primarily designed to secure and maintain an equality of bargaining power between the employer and their employee-members in the economic struggle for the fruits of the joint productive effort of labor and capital; and the association of the locals into the national union (as PAFLU) was in furtherance of the same end. These associations are consensual entities capable of entering into such legal relations with their members. The essential purpose was the affiliation of the local unions into a common enterprise to increase by collective action the common bargaining power in respect of the terms and conditions of labor. Yet the locals remained the basic units of association, free to serve their own and the common interest of all, subject to the restraints imposed by the Constitution and By-Laws of the Association, and free also to renounce the affiliation for mutual welfare upon the terms laid down in the agreement brought it into existence.”  
(Emphasis supplied)

This brings Us to the question of disaffiliation which was the root cause of the dismissal. It is claimed by PAFLU that the local union could not have validly disaffiliated from it as the Union Security Clause so provided. We have meticulously read the provision of the supposed union security clause and We cannot agree with both the stand of PAFLU and the respondent court. For while it is correct to say that a union security clause did exist, this clause was limited by the provision in the Unions’ Constitution and By-Laws, which states:

“That the Liberty Cotton Mills Workers Union-PAFLU shall be affiliated with the PAFLU, and shall remain an affiliate as long as ten (10) or more of its members evidence their desire to continue the said local unions affiliation.”

Record shows that only four (4) out of its members remained for 32 out of the 36 members of the Union signed the resolution of disaffiliation on May 11, 1964, triggered by the alleged negligence of PAFLU in attending to the needs of its local union, particularly its failure to assign a conscientious lawyer to the local to attend to the ULP case they filed against the Company. The disaffiliation was, therefore, valid under the local's Constitution and By-Laws which, taken together with the Collective Bargaining Agreement, is controlling. The Court of Industrial Relations likewise held in its decision that the act of disaffiliation did not have any effect as the workers retracted from such act. As stated by the respondent court —

“It is believed that the effect of their retraction obliterates their participation in the resolution. Hence, under Article X of the said Constitution and By-Laws, complainant union remained affiliated with respondent union at the time termination of the services of complainant workers was requested and when they were dismissed by the Company on May 30, 1964.”

Although the fact of retraction is true, We find that the respondent court failed to notice the fact that not all signatories to the resolution of disaffiliation dated May 17, 1964, took part in the retraction. Only a number of employees, 16 to be exact, retracted. Also, and this is a significant factor, the retraction is dated June 3, 1964, or four days after the petitioners herein had been dismissed. There is no use in saying that the retraction obliterated the act of disaffiliation when they were already out of the service when it was done. The disaffiliation, coming as it did from the greater majority of its members, is more than enough to show the collective desire of the members of the Liberty Cotton Mills Workers Union to sever their relations from the mother federation. The right of disaffiliation is inherent in the compact and such act should not have been branded as an act of disloyalty, especially considering the cause which impelled the union to take such a step.

Lastly, We will take up the process by which the workers were dismissed. We find that it was hastily and summarily done. The PAFLU received the resolution to disaffiliate on or about May 25, 1964, after which it wrote the Company about its stand, first on the 27<sup>th</sup> of May followed by its letter of the 29<sup>th</sup> requesting for the

termination of petitioners herein for 'disloyalty in having instigated disaffiliation'. The Company then acting on the request of the mother federation sent notices of termination to the officers of the local union immediately on the day following, or on May 30, 1964, heavily relying on the Collective Bargaining Agreement, viz:

“For disloyalty to the union shall be dismissed from employment by the Company upon request in writing by the union, which shall hold the COMPANY free from any liability arising from or caused by such dismissal.”

While the above-quoted provision may have been the basis for the Company's actuation, as in fact it was alleged by the Company in its Brief, We are of the opinion that such a stipulation does not bind the courts much less released the Company from liability should a finding for unfair labor practice be positive. In the case at bar, however, considering that the dispute revolved around the mother federation and its local, with the company dismissing the workers at the instance of the mother federation, We believe that the Company's liability should be limited to the immediate reinstatement of the workers.

Considering, however, that their dismissal was effected without previous hearing, and at the instance of PAFLU, this mother federation should be, as it is hereby, held liable to the petitioners for the payment of their back wages. Following the precedent of Mercury Drug Co. vs. CIR,<sup>[5]</sup> of fixing an amount of net backwages and doing away with the protracted process of determining the complainants-workers' earnings elsewhere during the period of their illegal dismissal, the Court fixes the amount of backwages to be paid under this decision to the complainants-workers at a three (3) years backwages without deduction or qualification.

**WHEREFORE**, the decision appealed from is reversed and set aside and the company is hereby ordered to immediately reinstate complainant workers, within thirty (30) days from notice of this decision and failure to so reinstate the workers without valid and just cause shall make respondent company liable to the workers for the payment of their wages from and after the expiration of such thirty-day period. The mother federation respondent PAFLU is sentenced to

pay complainants-workers the equivalent of three (3) years backwages without deduction or qualification.

In view of the length of time that this dispute has been pending, this decision shall be immediately executory upon promulgation and notice to the parties. Without pronouncement as to costs.

**Castro, J., (Chairman), Teehankee, Makasiar, Muñoz Palma and Martin, JJ., concur.**

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[1] Constitution and By-Laws p. 23 Record.

[2] Collective Bargaining Agreement p. 29 Record.

[3] Amendment to Collective Bargaining Agreement p. 34 Record.

[4] Harker et al. vs. Mckissock et al. 81A 2d 480, 482.

[5] 56 SCRA 694 (Apr. 30, 1974) as applied in NASSCO vs. CIR, 57 SCRA 642, Almira vs. B.F. Goodrich Phil. Inc., 58 SCRA 120, Phil. Rock Products Inc. vs. PAFLU, 58 SCRA 730, Feati University Faculty Club vs. Feati University, 58 SCRA 395 and Davao Free Workers Front vs. CIR, 60 SCRA 408.