

CHANROBLES PUBLISHING COMPANY

**SUPREME COURT
FIRST DIVISION**

**NATIONAL LABOR UNION,
*Petitioner,***

-versus-

**G.R. No. L-31276
September 9, 1982**

**COURT OF INDUSTRIAL RELATIONS,
EVERLASTING MANUFACTURING,
ANG WO LONG and BENITO S.
ESTANISLAO,
*Respondents.***

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D E C I S I O N

GUTIERREZ, JR., J.:

The petitioner asks for the review of the Court of Industrial Relations' Order dated September 14, 1968 and the Resolution of the court en banc dated March 7, 1969 in Case No. 3849-ULP entitled National Labor Union, complainant vs. Everlasting Manufacturing and Ang Wo Long, respondents.

The antecedent facts leading to the instant petition are:

“Acting upon a charge filed by counsel for complainant union, the Acting Prosecutor of this Court filed a formal complaint

with this Court on August 10, 1963, charging respondent Everlasting Manufacturing of unfair labor practice within the meaning of Section 4(a), sub-paragraphs 1,4 and 6 in relation to Sections 13, 14 and 15 of Republic Act 875. The pertinent allegations of the complaint are quoted hereunder, to wit:

“That following the conclusions of the collective bargaining agreement by and between complainant union and respondent company through its general manager Benito Estanislao Alias Cha Wa began hiring 24 new workers;

“That in order to avoid the implementation of the aforecited collective bargaining contract, to bust complainant union, to discourage membership with complainant union, on the pretext of selling and closing its business, and without any justifiable reason, respondent company, by its general manager Benito Estanislao and proprietor Ang Wo Long, dismissed and/or locked out all the members of complainant union on July 8, 1963, namely:

1. Federico Reyes
2. Angelino Ureta
3. Joaquin Tapalla
4. Hermenegildo Ignacio
5. Carlito Belarmino
6. Aniano Molina
7. Nolasco de Pedro
8. Urbano Bernaba
9. Isidoro Belarmino
10. Antonio Abella
11. Placido Reyes
12. Eugenio Lingo
13. Mateo Andrade
14. Angel Abella
15. Vicente Valentin
16. Arthur Agustin
17. Segundino Agustin
18. Virgilio Gapac

19. Calino Diaz
20. Rolando Lisondra
21. Ireneo Diaz

“That on the same date adverted to in paragraph 4 above, and continuously thereafter, respondent company continued with its business operations by availing of the services of the above-mentioned 24 new workers who are non-union members, using the same premises, business name, machineries, tool and implements, same officials and supervisors, including its assistant manager Tan Hoc;

“That notwithstanding representations made by complainant union for and in behalf of its members, respondent failed and refused and continues to fail and refuse to reinstate them to their jobs.

“That since their mass dismissals and/or lock out on July 8, 1963, the above mentioned dismissed employees have not found any substantial and/or equivalent employment for themselves, in spite of diligent efforts to that effect.’

“On August 28, 1963, upon being summoned, respondent, through counsel filed its answer denying the material allegations of the complaint. As affirmative defenses, it is claimed substantially that respondent establishment is no longer owned by Benito Estanislao but by Ang Wo Long who purchased the same from the former for valuable consideration and that the new owner is not duty bound to respect whatever agreement has been entered into by the former owner and the workers; that there has never been any employer-employee relationship between the new owner and the complaining workers so that the latter could not have been dismissed or locked out. Respondent prays that the complaint be dismissed.

“Several hearings were had and when the case was pending decision, a ‘Motion to Include Ang Wo Long as Party Respondent’ was filed on September 11, 1964, by counsel for petitioner union, which motion was granted by this Court in its Order dated November 6, 1964. Upon being summoned,

respondent Ang Wo Long, through counsel, filed on January 13, 1965, his Answer which is substantially similar to the one filed by respondent Everlasting Manufacturing. After further hearing, this case was submitted by the parties for decision.” (Decision, CIR, March 22, 1966, pp. 61-63, rollo).

On March 22, 1966, the respondent court through Associate Judge Amando C. Bugayong rendered a decision the dispositive portion of which reads:

“ALL THE FOREGOING CONSIDERED, respondents are hereby found guilty of unfair labor practice and they are hereby ordered:

- “1. To cease and desist from committing further acts of unfair labor practice; and
- “2. To reinstate the twenty-one complaining workers to their positions with back wages from July 8, 1963, until they are actually reinstated.

“The Examining Division of this Court is hereby directed to compute the amount of back wages due to the workers based on the payrolls marked as exhibits in the records of this case and, upon completion thereof, to submit to the Court immediately a report for further disposition” (pp. 68-69, rollo)

Acting on a motion for reconsideration of the afore-stated decision filed by the respondents and a motion to dismiss thereto filed by the petitioner union, the respondent court, after conducting a hearing issued a Resolution en banc dated November 7, 1966 ordering the reopening of the case and to include Benito Estanislao as party respondent to determine his liability under the complaint. Considering the different opinions of the members of the respondent court the March 22, 1966 decision was set aside.

Pursuant to the November 7, 1966 Resolution, Benito Estanislao was issued summons at his last known address requiring him to answer the complaint. The summons was, however, returned by the counsel for respondent Ang Wo Long on the ground that Benito Estanislao

did not reside and was not found at the premises of the former. Hence, the respondent court issued an order to the effect that Estanislao be issued summons by publication. Despite summons by publication, however, Estanislao did not answer the complaint. Neither did Estanislao appear in court. The respondent court, therefore, conducted hearings of the case without the presence and representation of Estanislao.

On September 14, 1968, the respondent court issued an Order the dispositive portion of which reads:

“IN VIEW OF ALL THE FOREGOING CONSIDERATIONS, the Court finds Benito Estanislao guilty of unfair labor practice and he is hereby ordered to pay backwages to the twenty-one (21) complaining workers during the full duration of the collective bargaining contract.

“The case is dismissed insofar as it concerns respondent Ang Wo Long.” (pp. 85-86, rollo)

On March 7, 1969, the respondent court issued a Resolution en banc denying a motion for reconsideration of the September 14, 1968 Order filed by the complainant union.

Hence, the instant petition.

The main issue before Us is focused on the respondent court's exoneration of respondent Ang Wo Long from any liability to the twenty-one (21) complaining workers of the petitioner union under the May 3, 1963 collective bargaining agreement executed between the petitioner union represented by its officers on one hand and respondent Everlasting Manufacturing represented by Benito Estanislao as general manager.

There is no dispute over the circumstances of the dismissal of the twenty-one (21) complaining workers from the respondent business establishment.

The twenty-one (21) complaining workers were members of the National Labor Union, a legitimate labor organization. They were

employed at the respondent Everlasting Manufacturing, a business establishment which manufactured paper cups, water cups, and other allied products. They were hired by Benito Sy Estanislao who owned the said establishment.

On April 29, 1963, Benito Estanislao sold by Everlasting Manufacturing to Ang Wo Long as evidenced by a Deed of Sale (Exhibit "6") "absolutely free from lien, encumbrances or liability of whatsoever kind and nature."

On May 3, 1963, after a series of negotiations, a collective bargaining agreement (Exhibit "B") was entered into between the Everlasting Employees Union (NLU) represented by its officers and the respondent business establishment represented by Benito Estanislao who signed himself manager. Both parties were represented by their respective counsel. The collective bargaining agreement was supposed to be "for a period of not less than two (2) years or until March 3, 1965 and thereafter for an additional twelve (12) months, unless written notice of intended change is served by either party thereto, sixty (60) days prior to March 31, 1965."

In the meantime, on April 21, 1963, Ang Wo Long filed with the Bureau of Commerce an application for the registration of Everlasting Manufacturing as a firm name or business name. The corresponding certificate registration was issued by the Bureau of Commerce on May 3, 1963, the same day that the collective bargaining agreement (Exhibit "A", supra) was entered into.

On July 8, 1963, the Office of the Mayor, Caloocan City issued a business permit to Ang Wo Long to operate the Everlasting Manufacturing.

On July 10, 1963, Ang Wo Long sent individual letters to the twenty-one (21) complaining workers, with similar contents, quoted hereunder:

"This is to inform you that the Everlasting Manufacturing is now under new management. I am now the owner of this establishment which I bought from the previous owner last month.

In view of the above and in order to give the management a free hand in operating the establishment, it is advised that the firm will be closed for business temporarily.

“You will be notified if your services will again be needed. (See Exh. “B”).”

On July 17, 1963, the petitioner union representing the twenty-one (21) dismissed workers charged the respondent business establishment with unfair labor practice before the respondent court on August 10, 1963.

On July 20, 1963, Ang Wo Long employed twenty-four (24) new workers in the Everlasting Manufacturing.

On August 10, 1963, the acting prosecutor of the respondent court formally filed a complaint on the alleged discriminatory dismissal of the twenty-one (21) complaining workers against the Everlasting Manufacturing.

Petitioner union wants Us to set aside the questioned Order and Resolution en banc dated September 14, 1968 and March 7, 1969 respectively and to reinstate the March 22, 1966 decision finding Everlasting Manufacturing and Ang Wo Long guilty of unfair labor practice. The petitioner states that the findings and conclusions of the respondent court in the March 22, 1966 decision were founded on substantial evidence whereas the findings and conclusions of the respondent court in the later order and resolution were not founded upon substantial evidence. Furthermore, no reason was given by the respondent court for the March 22, 1966 decision’s reversal according to the petitioner.

The respondent court in its March 22, 1966 decision found Everlasting Manufacturing and Ang Wo Long guilty of unfair labor practice in the following manner:

“It is puzzling, to say the least, that while the respondent establishment was already sold to respondent Ang Wo Long on April 29, 1963, the collective bargaining contract with the union

was entered into by the vendor, Benito S. Estanislao, four days after the sale. Was Ang Wo Long really unaware of this contract as claimed by him? The evidence on record shows that as early as April 21, 1963, or some eight days before the sale, Ang Wo Long filed with the Bureau of Commerce an application for the registration of 'Everlasting Manufacturing' as a firm name or business name and that the corresponding certificate of registration was issued to him by said office on May 3, 1963, the same day that the collective bargaining contract with the union was executed (Exh. '9'). On the same date that the document of sale was executed, a sworn statement of the sale in favor of Ang Wo Long was filed in the Bureau of Commerce under the Bulk Sales Law, Act No. 3942 (Exh. '8'). All these would indicate that, contrary to his claim, respondent Ang Wo Long was already taking an active hand in the operation of the business establishment after it was sold to him, and that the 21 complaining employees since then were already working for him as new owner. Thus, it will be noted that when the collective contract was entered into Benito Sy Estanislao four days after the said sale, he signed in his capacity as 'General Manager' and not any more as owner. Under the circumstances, it is difficult to believe that Ang Wo Long was ignorant, as he claims, of the contract entered into by Estanislao in his representative capacity. To sustain the protestations of Ang Wo Long that he was unaware of this contract entered into when he was already the owner of the establishment, in the face of all these known facts, would be tantamount to sanctioning a deception and conspiracy to defraud the workers of their rights already obtained in the contract.

"The evidence adduced by respondents, more specifically the testimony of Ang Wo Long, subjected to a closer scrutiny, is full of glaring inconsistencies on many material and important points. Thus, while admitting on the stand that he became the owner of 'Everlasting Manufacturing' on April 29, 1963, by virtue of the deed of sale executed by Estanislao in his favor (t.s.n., pp. 8-9. hearing of Jan. 29, 1964), yet he stated in his letter to the laborers (Exh 'B') dated July 10, 1963, that he bought the said establishment only 'last month', meaning June, 1963. While in the same letter Ang Wo Long stated 'that the

firm will be closed for business temporarily' he admitted in his testimony that he did not actually temporarily close the establishment inasmuch as Estanislao had other contracts which were not finished (t.s.n., p. 7, Jan. 29, 1964). Admittedly, Ang Wo Long employed 24 new workers about July 20, 1963, because it is claimed that the members of petitioner never applied to him although he had been waiting for them for sometime (t.s.n., pp. 22-23, Jan. 27, 1964). In his letter, however, (Exhibit 'B' to the 21 complaining workers, he stated that the laborers 'will be duly notified if your services will again be needed.' The evidence is very clear that the workers involved had never been notified that their services were needed. On the contrary, the principal argument of respondents' counsel is that Ang Wo Long, being a new owner, has that absolute right to employ workers whom he may choose, and he had in fact chosen to dispense with the complaining workers and hire new ones to replace them.

"Respondent Ang Wo Long has not shown any just cause for dispensing with the services of the twenty-one workers on July 8, 1963. From the circumstances, the conclusion becomes inescapable that he dismissed the complainants in order to break the union and do away with the existing collective bargaining contract which it has obtained only after a strike and bargaining negotiations." (pp. 66-68, rollo)

The foregoing findings and conclusions were completely superseded by a different set of findings and conclusions of the respondent court on the main issue in the questioned September 14, 1968 Order. In exonerating Everlasting Manufacturing and Ang Wo Long from any liability against the twenty-one complaining workers of the petitioner union, the respondent court said:

"There is no question that the twenty-one (21) complaining workers were hired by Benito Estanislao before he sold his business to Ang Wo Long. Ang Wo Long did not operate the business until after he has secured the necessary business permits from the proper authorities, and it was only on July 8, 1963, after securing those permits, that he started to operate the business. There is no evidence on record that Ang Wo Long had

knowledge of the existence of the National Labor Union and the affiliation thereto of the twenty-one (21) workers who are complainants in this case. Neither is there evidence that Ang Wo Long had knowledge of the collective bargaining contract which was still in force when the twenty-one complainants were dismissed. Under the circumstances, the Court finds no basis to hold respondent Ang Wo Long as having been motivated by his desire to discriminate against these twenty-one workers because of their union affiliation.

“The negotiation and subsequent execution of the collective bargaining contract undertaken by respondent Benito Estanislao was without the knowledge of Ang Wo Long. The evidence shows that Benito Estanislao who signed the contract was not clothed with the proper authority from Ang Wo Long when the former entered into such contract. From this alone, it is clear that the whole responsibility for entering into the contract in question should rest with Estanislao. The Court is convinced that Benito Estanislao is a transferrer in bad faith and, as such, he may be held liable to the employees discharged in violation of the Industrial Peace Act (Valentin A. Fernando vs. Angat Labor Union, G.R. No. L-17896, May 30, 1962). (pp. 84-85, rollo)

It can be readily seen that the respondent court's March 22, 1966 decision was based mainly on respondent Ang Wo Long's inconsistent testimony and the circumstances surrounding his acquisition of respondent Everlasting Manufacturing which according to the respondent court tended to show Ang Wo Long's knowledge of the existence of the May 3, 1963 collective bargaining contract.

On the other hand, the respondent court in the September 14, 1968 Order found the same circumstances to be merely preparatory acts of Ang Wo Long before he could begin to operate the respondent Everlasting Manufacturing and that there was no evidence on record which proved his knowledge of the May 3, 1963 collective bargaining contract. The Order was silent, however, on the March 22, 1966 decision as regards the inconsistent testimony of Ang Wo Long.

The issue before Us boils down to whether or not the respondent court was justified in completely over-turning its March 22, 1966 ruling on the liability of Ang Wo Long under the May 3, 1963 collective bargaining contract.

A careful consideration of the facts and circumstances of this case constrains Us to grant the petition and to set aside the questioned order and resolution of the respondent court.

The respondent court modified its decision and absolved Ang Wo Long of responsibility for and liability under the May 3, 1963 collective bargaining contract because of its finding that there was a lack of evidence which would show knowledge not only of the CBA but of the existence of the union itself on the part of Mr. Ang Wo Long.

Appreciation of facts and conclusions drawn from facts must be such as would be acceptable to a reasonable mind. The reconsidered conclusions of the respondent court not only fly against the dictates of reason and common sense but are out of touch with the grounds of public policy implicit in the Industrial Peace Act and in the constitutional mandate on protection to labor.

Knowledge or awareness of what is going on refers to a mental and inner state of consciousness, cognizance, and information. Whether or not Mr. Ang Wo Long knew the labor problems of the firm he purchased, the existence of a union, the on-going — CBA negotiations, and the efforts of the employees he later dismissed to reach an agreement with management on the terms and conditions of their employment can be determined only from an admission of Mr. Ang himself or from the surrounding facts and circumstances indicative of knowledge or awareness.

Under the facts and circumstances of this case, it is irrational if not specious to assume that Mr. Ang bought a business lock, stock, and barrel without inquiring into its labor-management situation and that his dismissal of all the union members without retaining a few experienced workers and their replacement with a completely new set of employees who were strangers to the company was anything other than an attempt to rid the firm of unwanted union activity.

There is substantial evidence to sustain a finding of Mr. Ang's knowledge of the bargaining negotiations and the resulting CBA and, consequently, of unfair labor practice on his part.

The former owner, Benito Estanislao alias Cha Wa, sold Everlasting Manufacturing to Ang Wo Long on April 29, 1963 while CBA negotiations were going on and about to be concluded. The firm had a recent history of labor problems and the bargaining negotiations came about only after a strike.

According to the respondent court, the acts of Ang Wo Long — his filing an application for registration with the Bureau of Commerce on April 21, 1963, his securing the mayor's permit, and his other acts of management — were only acts preparatory to taking over the firm and not acts indicating knowledge of union activity and the CBA negotiations. We rule otherwise. Precisely because Mr. Ang performed acts indicative of normal care and caution on the part of a man buying a manufacturing firm, We rule that the same care and caution was also extended to a more sensitive aspect of the business, one attracting the greatest degree of concern and attention of any new owner, which was the relationship of the workers to management, their willingness to cooperate with the owner, and their productivity arising from harmonious relations. Benito Estanislao signed the CBA no longer as owner but as "general manager." The new owner used the same premises, the same business name, machineries, tools and implements and the same officials and supervisors including the assistant manager, Mr. Tan Hoc. The only change was the replacement of the 21 union members with a completely new set of employees hired from outside the firm. As stated by Judge Amando C. Bugayong in the court's March 22, 1966 decision, the respondent Ang Wo Long did not show any just cause for dispensing with the services of all the 21 union members. We agree with Judge Bugayong that "the conclusion becomes inescapable that he (Mr. Ang) dismissed the complainants in order to break the union and do away with the existing collective bargaining agreement which it has obtained only after a strike and bargaining negotiations."

Another mystifying aspect of the questioned order and resolution was the placing of full responsibility on the shoulders of Mr. Benito

Estanislao whom the court fully knew had already conveniently disappeared even as it absolved the only person who could grant affirmative relief and whose liability had earlier been determined to be founded on substantial evidence. The summons issued to Benito Estanislao was returned by Ang Wo Long's counsel who stated that Benito Estanislao was no longer at his former address. Summons had to be effected through publication. The person found guilty of unfair labor practice did not show up at the reopened hearings and as far as the records before US show, had disappeared. The concatenation of circumstances clearly indicates the participation of both Mr. Estanislao and Mr. Ang in the unfair labor practice. Hence, Ang Wo Long should be jointly and severally liable with Benito S. Estanislao for the payment of backwages to the complaining employees.

Considering practical considerations, among them the length of time that has lapsed since the dismissal of the complaining employees and following Our rulings in the cases of Mercury Drug Co., Inc., et al vs. CIP, et al. (56 SCRA, 694); Aguinaldo Co., Inc., et al. vs. CIR, et al. (82 SCRA 309); Danao Development Corporation vs. NLRC, et al. (81 SCRA 489); Monteverde, et al. vs. CIR, et al. (79 SCRA 259); Insular Life Insurance Co., Ltd. Employees Association - NATU vs. Insular Life Assurance Co., Ltd. (76 SCRA 50); People's Bank and Trust Company, et al. vs. People's Bank and Trust Company Employees Union, et al (69 SCRA 10) and Liberty Cotton Mills Workers Union vs. Liberty Cotton Mills, Inc., (92 SCRA 391), We grant three (3) years backwages without deduction or qualification to the dismissed employees. Following the same considerations and in fairness to Ang Wo Long, reinstatement of the complaining employees should be made on the basis of the latter's physical fitness for the respective jobs from which they were illegally ousted. (Mercury Drug Co., Inc. vs. Court of Industrial Relations), (supra).

WHEREFORE, the petition is hereby **GRANTED**.

- 1) Ang Wo Long and Benito S. Estanislao are hereby **ORDERED** jointly and severally to pay the complaining employees three (3) years backwages without deduction or qualification.

2) Ang Wo Long is hereby ordered to reinstate the complaining employees and he may require certifications of their physical fitness by a government physician; and

3) Ang Wo Long and Benito S. Estanislao shall pay the costs.

SO ORDERED.

**Teehankee, C.J., (Chairman), Melencio-Herrera, Plana, Vasquez and Relova, JJ., concur.
Makasiar, J., is on official leave.**