

CHANROBLES PUBLISHING COMPANY

**SUPREME COURT  
EN BANC**

**VICTORIAS MILLING CO., INC.,  
*Petitioner,***

***-versus-***

**G.R. No. L-18467  
September 30, 1963**

**VICTORIAS-MANAPLA      WORKERS  
ORGANIZATION-PAFLU,      FREE  
VISAYAN WORKERS (FFW), ET AL.,  
*Respondents.***

X-----X

**VICTORIAS                      -                      MANAPLA  
ORGANIZATION-PAFLU,                      *Petitioner,***

***-versus-***

**G.R. No. L-18470  
September 30, 1963**

**COURT OF INDUSTRIAL RELATIONS  
and FREE VISAYAN WORKERS (FFW),  
*Respondents.***

X-----X

**DECISION**

## **LABRADOR, J.:**

The above-entitled cases originated from a complaint for unfair labor practice against the Victorias Milling Company, Inc., filed by the acting prosecutor of the Court of Industrial Relations on March 2, 1960. At the hearing of the charges the parties entered into a stipulation of facts, the most important provisions of which are as follows: On April 6, 1957 the Victorias Milling Company, Inc. and the Free Visayan Workers entered into a collective bargaining agreement which was to expire on December 31, 1959. The agreement contains an automatic renewal clause after December 31, 1959. The duration of the agreement and the automatic renewal clause are contained in the following paragraphs of the agreement:

### **“DURATION OF AGREEMENT”**

“This agreement shall remain in full force and effect until midnight of December 31, 1959, continuing from year to year from the date of the signing hereof, unless either party gives written notice by registered mail no more than seventy-five (75) days nor less than thirty (30) days prior to December 31, 1959, or each subsequent renewal anniversary date thereafter, to the effect that said party shall modify or terminate the entire agreement, in which event this agreement shall be considered terminated or open for negotiation.

“If the notice sent in accordance which the above paragraph affects a portion or portions of the agreement, the portion or portions not affected shall remain in force during the renewal period.

“Twenty (20) days after receipt of the notice of modification or termination, the parties shall meet for the purpose of bargaining with respect to the provisions of this agreement or parts thereof which have been terminated by either party.”

Sometime in October, 1957, a petition for certification of elections in the Victorias Milling Company, Inc. was filed by Victorina A. Combate and 318 others. In this case before the Industrial Court in May, 1959,

the Philippine Association of Free Labor Unions (PAFLU) intervened. And on August 12, 1960, the Court of Industrial Relations in the case for certification of elections ordered the holding of a certification of election. It does not appear from the record that the election has already been made. Neither does the result thereof appear.

On October 26, 1959 Vicente Convito, President of the Victorias-Manapla Workers Organization (PAPLU) wrote a communication to the respondent Victorias Milling Company, Inc., requesting that the company desist from entering into a new agreement with any union until the question of representation has been determined by the court; that the majority of the workers of the Victorias Milling Company, Inc. have joined the said organization (PAFLU). Again on October 29, 1959, Vicente Convito representing the same Philippine Association of Free Labor Unions wrote a letter to the respondent company alleging that in view of the affiliation of the workers and laborers with the Free Visayas Workers and in view of the fact that the latter's agreement with the respondent company is bound to expire, certain proposals be taken up for the purpose of collective bargaining. In answer to the above two communications sent by the President of the PAFLU the respondent company wrote the representative of the PAFLU as follows: That in view of the fact that the petition for the certification of elections is still pending and the issue of the majority representation has not been resolved yet, the respondent company could not take action on the request for collective bargaining presented by the PAFLU.

The complaint for unfair labor practice arose from the dismissal of 10 employees, namely, Felino Dalipe, Donato Anazaras, Prudencio Parcon, Celestino Bernila, Remegio Seballos, Belarmino Bartico, Agustin Dulano, Ignacio Lozano, Loreto Undar, and William Cevero. These employees were on or before December 31, 1959 members of the Free Farmers Union or the Federation of Free Workers.

On January 11, 1960, a supplemental agreement having been entered into by the Victorias Milling Company, Inc. and the Free Visayan Workers providing for wage increases, the above-named ten dismissed employees had received increases in their pay. But on February 10, 1960, they resigned or separated from the Free Farmers or Workers Union and joined the Association of Free Labor Unions

(PAFLU). In view of this change in their affiliation from the Free Farmers Union to the Philippine Association of Free Labor Unions (PAFLU), which change became known to the respondent company, an investigation of their membership and change in membership was made. The Free Visayan Workers Union conducted an investigation of the 10 dismissed employees prior to their expulsion from the respondent union and its recommendation was for their dismissal. In this investigation it was found out that they received the wage increases on January 14, 1960, but changed their affiliation on February 10, 1960, from the Free Visayan Workers Union to the Philippine Association of Free Labor Unions (PAFLU). Consequently, with this finding of the change in their membership and in view of the following portion of the existing agreement between the Free Farmers Union and the respondent Company:

“Section 5(a). All employees who are covered by this agreement as provided for in Section 4 hereof, who, at the date of the signing of the agreement, are member of the union, shall remain members in good standing as a condition of continued employment. Those covered employees who, at the date of the signing of this agreement, are not members of the Union, shall be required to join and remain members of the Union in good standing as a condition of continued employment.

“Any laborer or employee who shall join the union in pursuance of the above requirement and who thereafter shall resign from the union or is expelled therefrom for any act contrary to the by-laws, rules and regulation of the Union, shall upon the advise of the Union to the management of the company be dismissed from his employment. It is to be understood, however, that the company reserves its right to look into the merits of the expulsion of the laborer or employee concerned, where his dismissal from the Company is sought by the Union.”

which agreement is a closed-shop agreement, the respondent company, upon advice of the Free Farmers Union, dismissed the above-mentioned 10 employees. Their dismissal is the subject of the complaint for unfair labor practice filed by the prosecutor of the Court of Industrial Relations in these two cases now before the Court.

The facts found by the hearing officer regarding the previous affiliation of the above-mentioned ten dismissed employees are as follows:

“With respect to the individual complainants, except Santiago Palomo and Pedro Moran, the charges in regard to said persons having been withdrawn (t.s.n. pp, 68-69), all were former members of the respondent union. On February 11, 1960, they severed their affiliation with respondent union (Exhibits “A” to “M-9”). Immediately thereafter the investigating committee of the Victorias Milling Company Unit of the respondent union started an investigation and its finding forwarded to the Central Board of said respondent union. (Exhibit “F”). The latter accepted the resignation of the complainants and recommended their dismissal. (Exhibit “G”). The respondent company in similarly worded letters dismissed the said complainants based on the union security provisions of the Collective Bargaining agreement in question (Exhibits “B” to “B”-9”), after proper investigation (Stipulation No. 9)

“It must be noted that the circumstances mentioned in the preceding paragraph occurred after the execution of the supplementary agreement and after the period for the modification and/or termination of the agreement has expired.

“It is also a fact that the herein complainants before their dismissal were members of the respondent union.”

The hearing officer in arriving at its recommendation to the court reasoned as follows:

“There reasons for those express prohibitions are apparent. Should the closed shop provisions for a collective bargaining agreement be given absolute effect, it will maintain any labor organization in perpetuity despite the manifest wishes of the employees concerned which is contrary to the letter and spirit of Republic Act No. 875. Just as our very own system of life guarantees a periodical gauge to determine the people’s free wishes in those they have elected to govern them through a system of political election, so must the bargaining

representative of the employees be equally determined at an appropriate time and the Court of Industrial Relations by law is the agency charged with such function, and the exercise of such choice should likewise be free from discrimination.

“While this Court is fully aware of the possible levelling of the accusation that we must not interfere with the closed shop provisions of any validity entered bargaining as the same might constitute internal union matters, yet such matters, do constitute relations going deeply into the roots of the right to self-organization which this Court is duty bound by law to protect and uphold.”

We do not agree with the court below in its ruling that the recognition and enforcement of the closed-shop agreement between the Free Farmers Union and the Victorias Milling Company, Inc. would tend to perpetuate the labor organization which secured it. This claim cannot be true because the closed-shop agreement is to be enforced after December 31, 1959, automatically until such time as a new bargaining agreement can be entered into.

The ruling of the court below suspending the operation of the agreement automatically renewed, would produce as a result a period of interregnum in which no agreement would govern at all. There would be a void if we do not authorize enforcement of the automatic renewal clause adopted in the agreement. Such a situation where no agreement is in force to govern the relations between laborers and capitalists is unwise, as it would give either party an opportunity to commit a breach of the law.

Another reason for enforcing the closed-shop agreement is the principle of sanctity or inviolability of contracts guaranteed by the Constitution. As a matter of principle the provision of the Industrial Peace Act granting freedom to employees to organize themselves and select their representative for entering into bargaining agreements, should be subordinated to the constitutional provision protecting the sanctity of contracts. We can not conceive how freedom to contract, which should be allowed to be exercised without limitation may be subordinated to the freedom of laborers to choose the organization they desire to represent them. And even if the legislature had

intended to do so and made such freedom of the laborer paramount to the sanctity of obligation of contracts, such attempt to override the constitutional provision would necessarily ipso facto be null and void.

A case brought on a writ of certiorari to the Supreme Court of the United States presented the same problem that we now have before us, namely, the effectivity of a closed-shop agreement as against the freedom of the laborers or employees to choose the labor organization they want to affiliate with. There it was said that the Act granting the employer and employees the privilege to enter into a closed-shop agreement, also recognized the right of the workers to choose their union, but that said right to choose a labor union is limited by the proviso authorizing parties to enter into a closed-shop agreement. Hereinbelow is a summary of the facts involved in said case and the reasons adduced by the court in arriving at its conclusion:

Petitioner was engaged in producing glycerin for war purposes. Its employees were at first represented by a union affiliated with the American Federation of Labor. In 1938 the International Longshoremen's and Warehousemen's Union, affiliated with the Congress of Industrial Organizations, became the representative of petitioner's employees. On July 9, 1941, the C. I. O. entered into a collective bargaining contract with petitioner which contained a closed-shop provision to the effect that new employees shall be hired through the offices of the Union, provided the latter shall be able to furnish competent workers for the work required; otherwise, the employer may hire from outside sources, provided that employees so hired shall make application for membership in the Union within 15 days of their employment; and that the employees covered by the agreement shall be members in good standing of the Union. This contract was entered in good faith by the parties and was of indefinite duration.

On July 24, 1945, the C.I.O. and petitioner entered into a supplemental agreement that their contract of July 9, 1941, "shall remain in full force and effect" pending approval of certain agreed-upon items, other than the closed-shop provision, by the War Labor Board. Shortly after the making of the supplemental agreement, open agitation for a change of

bargaining representative began at a period during which the National Labor Relation believed was appropriate to seek a redetermination of representatives. On July 31 an unauthorized strike occurred which lasted two and one-half days, although the C.I.O. had pledged its membership not to strike during wartime. A group of employees formed an independent organization which later sought to affiliate with the American Federation of Labor. Because they were unmindful of the warnings issued by the C. I. O. that disciplinary action against members would be taken for rival union activity, some 37 employees were suspended and expelled by the C. I. O. and discharged by petitioner upon demand by the C.I.O. on the ground that they were no longer "members in good standing" of the C.I.O. as required by the closed-shop contract.

Petitioner was charged with violation of Sec. 8(1) and Sec. 8(3) of the National Labor Relations Act and found by the National Labor Relations Board guilty thereof and ordered to reinstate the discharged employees. The Court of Appeals having entered a decree enforcing the Board's order, a petition for a writ of certiorari against the judgment of said court was brought before the Supreme Court of the United States.

SEC. 8(3) referred to above considers as unfair labor practice for an employer to discriminate in regard to hire or tenure of employment or any term or condition of employment to encourage or discourage membership in any labor organization, but does not preclude an employer from making an agreement with labor organization to require as a condition of employment membership therein, if such labor organization is the representative of the employees.

Recognizing that the discharges had the effect of interfering with the employees' right given by Sec. 7 of the National Labor Relations Act to self-organization and to collective bargaining through representatives of their own choosing, and that the discharges had the effect of discriminating, contrary to the prohibition of Sec. 8(3) of said Act, the Supreme Court nevertheless found that a closed-shop agreement was valid under California law, and the California Supreme Court, in the

case of *James vs. Marinship* (155 P2d 32), explicitly recognized that a union may expel persons who “have interests inimical to the union” because of the right of the union to reject or expel persons who refuse to abide by any reasonable regulation or lawful policy adopted by the union. Citing the case of *Davis vs. International Alliance*, 141 P2d 486, it stated that under California law, “an organization has the natural right of self-preservation, and may with propriety expel members who show their disloyalty by joining a rival organization.” The contract was held to be valid under the Act and under state law.

Upholding the validity of closed-shop agreements the Supreme Court further held that such agreements protect the integrity of the union and provides stability to labor relations, to achieve which was the primary objective of Congress in enacting the National Labor Relations Act. Congress knew that a closed-shop agreement would interfere with freedom of employees to organize in another union and would, if used, lead inevitably to discrimination in tenure of employment. Nevertheless, Congress inserted the proviso of Sec. 8(3) allowing closed shop contracts with full realization that it would be a limitation on Sec. 7 granting employees the right to self- organization and collective bargaining. (*Colgate-Palmolive-Peet Co. vs. Nat. Labor Relations Bd., et al.*, 388 U.S. 355, 365, 94 L ed. 161).

The above U.S. Supreme Court decision cleared an employer which discharged employees expelled from the union because of activities for a rival union, from charges of unfair labor practice, where its action was based on a closed-shop contract with a bona fide labor union entered into and performed in good faith and valid in the state where made.

Returning now to the case at bar, as we have found that the dismissal of the employees by the respondent Victorias Milling Company, Inc. was in pursuance of a clause of an agreement between said company and the Free Farmers Union, which agreement became automatically renewed upon its expiration on December 31, 1959 and before a new bargaining agreement could be arrived at, the action of the respondent company in enforcing the terms of the closed-shop agreement is a valid exercise of its rights and obligations under the

contract. The dismissal by virtue thereof cannot constitute an unfair labor practice, as it was in pursuance of an agreement that has been found to be regular and of a closed-shop agreement which under our laws is valid and binding.

The decision of the lower court declaring that the respondent company was guilty of unfair labor practice should, therefore, be set aside and the complaint for the said unfair labor practice dismissed.

The Victorias-Manapla Organization (PAFLU) had also appealed from the decision of the court below for the reason that it did not grant them pay during the period of the dismissal of the laborers in question. In view of our ruling that the dismissal was valid, the appeal for back wages must also be denied. Without costs. So ordered.

**Bengzon, C.J., Padilla, Bautista Angelo, Barrera, Paredes, Dizon, Regala and Makalintal, JJ., concur.  
Concepcion and Reyes, JJ., took no part.**