

**\*\*Title\*\*:** Rommel M. Zambrano, et al. vs. Philippine Carpet Manufacturing Corp./Pacific Carpet Manufacturing Corporation, et al.

**\*\*Facts\*\*:** A detailed account of the events follow:

1. Petitioners (Zambrano, et al.) were employees of respondent Philippine Carpet Manufacturing Corporation (Phil Carpet).
2. On January 3, 2011, they were informed their employment would end on February 3, 2011, due to operational closure stemming from business losses.
3. Petitioners believed the dismissal was unjust; they asserted that the closure was a sham to transfer operations to Pacific Carpet Manufacturing Corporation (Pacific Carpet), a subsidiary.
4. Petitioners noted that job orders were moved to Pacific Carpet and machinery was transferred between October and November 2011.
5. They claimed mass dismissal of union officers and members amounted to unfair labor practice.
6. Phil Carpet defended the closure due to continuous losses and shrinking market demand, supported by financial audits.
7. Cost-cutting measures, including voluntary redundancy, failed to alleviate losses, leading to the board's decision to cease operations.
8. Notices were served to the Department of Labor and Employment (DOLE) and petitioners a month before closure, with separation pay given to petitioners who signed quitclaims.

The procedural posture includes the following steps:

1. The Labor Arbiter (LA) dismissed the complaints, ruling termination was due to necessary operational closure and was in good faith.
2. Petitioners appealed to the National Labor Relations Commission (NLRC), which upheld the LA's decision.
3. A motion for reconsideration with NLRC was denied, leading petitioners to move to the Court of Appeals (CA).
4. The CA dismissed the petition for certiorari, affirming earlier decisions and stating closure was bona fide.
5. CA's resolution to deny the petitioners' motion for reconsideration was held firm.
6. Finally, petitioners sought recourse with the Supreme Court of the Philippines through a petition for review on certiorari.

**\*\*Issues\*\*:**

1. Whether the petitioners were dismissed from employment for a lawful cause.
2. Whether the petitioners' termination from employment constitutes unfair labor practice.
3. Whether Pacific Carpet may be held liable for Phil Carpet's obligations.
4. Whether the quitclaims signed by the petitioners are valid and binding.

**\*\*Court's Decision\*\*:**

1. The Supreme Court affirmed that the petitioners were terminated from employment for authorized cause based on Article 298 of the Labor Code.
2. It found no evidence of unfair labor practice, as the closure was due to serious business losses not related to union-busting activity.
3. The Court held that Pacific Carpet had a separate corporate personality and was not a mere alter ego of Phil Carpet.
4. The quitclaims were ruled to be valid and binding as they were voluntarily executed with a full understanding of their implications.

**\*\*Doctrine\*\*:**

The Court enforced the doctrine that closures due to economic necessity are authorized causes for termination under Article 298 of the Labor Code, provided procedural requirements are fulfilled. The doctrine of separate corporate personality was upheld, refusing to pierce the corporate veil in the absence of fraud, wrongdoing, or unjust acts.

**\*\*Class Notes\*\*:**

1. Termination for Authorized Cause: Article 298, Labor Code - Closure must be bona fide, with notices served and separation pay given.
2. Unfair Labor Practice: Article 259, Labor Code - Acts relating to the workers' right to organize, with a high burden of proof on the accuser.
3. Doctrine of Separate Corporate Personality: Corporations are treated as separate legal entities unless certain conditions are met for piercing the corporate veil.
4. Quitclaims: Voluntary quitclaims with reasonable consideration are valid and enforceable.

**\*\*Historical Background\*\*:**

The case provides a snapshot of the economic challenges affecting businesses, leading to restructuring or ceasing operations. It underscores the tension between employer's

management prerogatives and the rights of the employees during such economic downturns. The decision discusses specific procedures and legal requirements that must be observed in instances of business closures and reaffirms the emphasis on due process and fair compensation in the wake of such terminations. It reflects the judicial reluctance to interfere with legitimate business judgments unless clear evidence of abuse is presented.