Title: Philippine Geothermal, Inc. Employees Union v. Unocal Philippines, Inc. (now known as Chevron Geothermal Philippines Holdings, Inc.)

Facts:
This case arose from a Merger Agreement on April 4, 2005, wherein Union Oil Company of California (Unocal Corporation) merged with Blue Merger Sub, Inc., a wholly owned subsidiary of Chevron Texaco Corporation (Chevron), with Blue Merger Sub, Inc. as the surviving corporation. Unocal Philippines, Inc., a wholly owned subsidiary of Union Oil Company of California licensed to operate geothermal steam fields in the Philippines, claimed that it was not involved in the merger. However, the Philippine Geothermal, Inc. Employees Union (the Union) wrote to Unocal Philippines on October 20, 2006, asking for separation benefits, as the Union believed that the merger impliedly terminated its members' employment.

After a series of unsuccessful negotiations and interventions through the Department of Labor and Employment, including voluntary arbitration, the Secretary of Labor ruled on January 15, 2008, that the merger impliedly terminated the Union members' employment, thus, entitling them to separation benefits as per the Collective Bargaining Agreement (CBA).

Unocal Philippines filed a Petition for Review with the Court of Appeals, asserting that its employees were not terminated, nor was it a party to the merger, and that its operations remained unchanged after the merger. On July 23, 2009, the Court of Appeals reversed the Secretary of Labor's decision, establishing that Unocal Philippines was a distinct legal entity separate from its parent company, Unocal Corporation, and that no closure or cessation of Unocal Philippines' operations occurred.

The Union then filed a Petition for Review with the Supreme Court, challenging the Court of Appeals' decision.

Issues:
1. Whether Unocal Philippines changed its theory of the case on appeal.
2. Whether the Merger Agreement terminated the employment of the Union's members.
3. Whether the Union's members are entitled to separation benefits.

Court's Decision:
The Supreme Court affirmed the Court of Appeals decision and denied the Union's petition. The Court held that a merger does not imply the dismissal of the absorbed corporation's

employees. The absorbed employees retain their employment with the surviving corporation, and as such, are not entitled to separation pay unless there is another ground for awarding it. Additionally, the Court ruled that even if Unocal Philippines changed its theory on appeal, the Union was not entitled to separation benefits since the merger did not fall within the circumstances requiring such benefits per the CBA and the Memorandum of Agreement.

Doctrine:
In a merger, the surviving corporation automatically assumes the absorbed corporation's employment contracts. These contracts are not terminated but subsist unless their termination is allowed by law.

Class Notes:
– A merger involves a consolidation of corporations where one survives and assumes all assets, liabilities, and obligations, including employment contracts.
– The surviving corporation automatically assumes the employment contracts of the absorbed corporation without interruption or termination of employment.
– Employment contracts are deemed to continue post-merger unless lawfully terminated.
– Separation pay is not warranted by simply the occurrence of a merger.

Historical Background:
This case demonstrates the Philippine Supreme Court's interpretation of corporate mergers under the framework of the Corporation Code, labor laws, and the mandates of the 1987 Philippine Constitution for the protection of labor. The decision reiterates the constitutional policy protecting the rights of labor. The interpretation ensures that in the context of a corporate merger, the employees of the absorbed corporation are not left without protection and maintain their employment and benefits with the surviving corporation.