

****Title:**** Fortune Tobacco Corporation vs. National Labor Relations Commission & Edgardo De La Cruz, et al.

****Facts:**** The case stemmed from a complaint filed on January 29, 1986, by private respondents, Edgardo De La Cruz and others, for illegal dismissal against their employer, Fortune Tobacco Corporation (petitioner), before the National Labor Relations Commission (NLRC). The complainants sought reinstatement with full backwages and seniority rights retained. The petitioner countered, stating it had sold its redrying plant on October 17, 1985. A labor arbiter later ordered the petitioner to reinstate the complainants or pay separation pay, with full backwages from October 5, 1985, until actual reinstatement. The petitioner appealed to the NLRC, which modified the decision to pay backwages up to the date of the plant's sale and separation pay for those not rehired by the new owner. The petitioner's subsequent appeal to the Supreme Court (SC) was dismissed, making the NLRC's decision final and executory.

Upon execution of the NLRC's decision, disagreements arose over the computation of backwages, specifically the period to be covered, given the plant's alleged sale. The NLRC computation led to an amount of P3,863,464.89, which the petitioner contested, providing proof of the plant's sale date as October 17, 1985, and thus argued for a reduced computation period. The private respondents opposed, suggesting no actual sale occurred, and supported the NLRC's computation. Labor Arbiter Ramon Reyes sided with the respondents, leading to a writ of execution against the petitioner.

****Issues:****

1. Whether the Deed of Conditional Sale constituted an actual sale of the plant and its facilities, influencing the computation period for the backwages.
2. The appropriate period for the computation of backwages in accordance with existing jurisprudence.

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

The Supreme Court found no actual sale of the plant and its facilities had occurred up to the time of its decision. It held that the Deed of Conditional Sale did not effectuate an outright transfer of ownership, as the sale was conditional upon full payment, which had not been conclusively demonstrated. Nevertheless, the Court recognized jurisprudence limiting the award of backwages to three years and adjusted the computation accordingly. The petition was dismissed, but the period for backwages computation was set to not exceed three years from October 5, 1985.

****Doctrine:**** The Supreme Court reiterates the doctrine that the award of backwages should be limited to a three-year period, in absence of explicit evidence to extend this duration.

****Class Notes:****

- Illegal Dismissal: Reinstatement with full backwages or separation pay if reinstatement isn't viable.
- Computation of Backwages: Limited to a maximum of three years from the date of dismissal, unless specific conditions justify an extension.
- Actual Sale in Labor Cases: For the purpose of computing backwages, an actual sale is recognized only upon the unconditional transfer of ownership, not merely conditional agreements.
- Key Legislation: Labor Code provisions on illegal dismissal, reinstatement, and payment of backwages.

****Historical Background:**** The case underscores the intricacies involved in labor disputes, especially in scenarios where employers undergo structural changes such as selling business units. It highlights the legal challenges in establishing the factual basis for such sales and their implications on labor rights, particularly concerning backwages computation. The Supreme Court's decision reflects a balance between strict legal interpretation and the broader intent of labor laws to protect worker rights.