

John F. McLeod vs. National Labor Relations Commission (First Division), Filipinas Synthetic Fiber Corporation (FILYSN), Far Eastern Textile Mills, Inc., Sta. Rosa Textiles, Inc. (Peggy Mills, Inc.), Patricio L. Lim, and Eric Hu

Facts:

Timeline and Procedural Posture:

1. **February 2, 1995:** John F. McLeod filed a labor complaint against several companies and individuals for unpaid benefits and damages.
2. **1980-1993:** McLeod worked with Peggy Mills, Inc. (renamed and taken over by different entities over the years), holding various positions including Vice President and Plant Manager.
3. **January 1986 - November 1993:** McLeod alleged non-payment of his vacation, sick leave benefits, unused airline tickets, holiday pay, underpayment of salary, and 13th month pay.
4. **1991:** Filipinas Synthetic Fiber Corporation (Filsyn) sold Peggy Mills, Inc. to Far Eastern Textile Mills, Inc.
5. **April 3, 1998:** The Labor Arbiter rendered a decision awarding McLeod multiple claims and damages totaling over P5.5 million.
6. **December 29, 1998:** The National Labor Relations Commission (NLRC) reversed the Labor Arbiter's decision, awarding McLeod only his retirement pay.
7. **June 30, 1999:** McLeod's motion for reconsideration was denied by the NLRC.
8. **September 1999:** McLeod filed a petition for certiorari to the Court of Appeals.
9. **June 15, 2000:** The Court of Appeals modified NLRC's decision, making Patricio Lim jointly liable with Peggy Mills, Inc.
10. **December 27, 2000:** Denying McLeod's motion for reconsideration of the Court of Appeals.
11. **Supreme Court Petition:** McLeod filed a petition for review before the Supreme Court.

Issues:

1. Whether an employer-employee relationship exists between McLeod and all the corporate respondents.
2. If Patricio Lim and the corporate entities were merely alter egos of one another.
3. Whether McLeod is entitled to unpaid benefits, retirement pay, moral and exemplary damages, attorney's fees, and other claims.

4. The applicability of certain labor rulings and statutory provisions to McLeod's case.
5. The validity of the NLRC's decision procedure given alleged procedural defects in the appeal.

Court's Decision:

The Supreme Court ruled as follows:

1. **Employer-Employee Relationship:**

- There was no evidentiary basis for an employer-employee relationship between McLeod and the other corporate respondents (FILYSN, FETMI, and SRTI), except for Peggy Mills, Inc. (PMI).

2. **Piercing the Corporate Veil:**

- The Court found no justification to pierce the corporate veil among these entities as there was no clear evidence of fraud, mischief, or bad faith to support McLeod's claims.

3. **Liability and Retirement Pay:**

- McLeod could not hold Patricio Lim personally liable. PMI had ceased operations and was not liable beyond the operations it conducted.

- McLeod was entitled only to a retirement pay calculated based on his latest monthly salary of P50,495 for his 12-year service from 1980 to 1992, equivalent to ½ month salary for each year of service.

4. **Damages and Attorney's Fees:**

- The award for moral and exemplary damages and attorney's fees was deleted due to absence of bad faith or malice in PMI's actions.

5. **Unitary Claims:**

- McLeod was denied vacation, sick leave, and holiday pay as he held a managerial position, which excluded him from such benefits under Article 82 of the Labor Code.

- Claims for unused airline tickets and underpayment of salaries were dismissed due to lack of substantial contractual proof.

Doctrine:

- **Separate Juridical Personality and Doctrine of Piercing the Corporate Veil:**

- A corporation is a separate juridical entity, and liability typically does not extend to its individual members or associated corporate bodies, except in cases of fraud, bad faith, or

explicit statutory provision.

- **Retirement Pay Calculation Without Retirement Plan (Section 5, Rule II of the Rules Implementing the New Retirement Law):**
- In the absence of an agreement or retirement plan, an employee's retirement pay equals at least one-half month's salary for every year of service.

Class Notes:

- **Corporate Separate Personality:** Crucial to understand circumstances under which the corporate veil can be pierced, including fraud or deceit.
- **Managerial Exemptions:** Article 82 of the Labor Code excludes managerial employees from certain labor benefits.
- **Retirement Pay Standards:** Section 5, Rule II of the Rules Implementing the New Retirement Law outlines specific retirement pay entitlements.
- **Moral Damages and Bad Faith:** Award of moral damages requires proof of malice, fraud, or bad faith, not mere breach of contract.

Historical Background:

This case highlights the intricacies of labor disputes involving multiple corporate entities in the context of the Philippine legal system. It underscores the protection for workers' claims against employers while illustrating the challenges of asserting these claims across intricate corporate structures. The decision reiterates long-standing corporate and labor law principles in handling complex corporate relationships and employee claims.