

**Title:** Mafinco Trading Corporation vs. Blas F. Ople, Secretary of Labor, and Others

**Facts:**

1. **Background:**

- On April 30, 1968, Cosmos Aerated Water Factory, Inc., appointed Mafinco Trading Corporation as its sole distributor of its soft drinks in Manila.
- On May 31, 1972, Rodrigo Repomanta and Rey Moralde entered into peddling contracts with Mafinco, agreeing to “buy and sell” Cosmos soft drinks. The contract term was one year unless terminated with five days’ notice by either party.

2. **Contract Termination:**

- On December 7, 1972, Mafinco served a termination notice to Repomanta, stating the termination’s effectiveness on December 12, 1972.

3. **Complaint and Procedural History:**

- On December 11, 1972, Repomanta and Moralde, through their union FOITAF, filed a complaint before the National Labor Relations Commission (NLRC), asserting Mafinco’s violation of Presidential Decree No. 21.
- Mafinco filed a motion to dismiss the complaint on the grounds that Repomanta and Moralde were independent contractors, not employees. The NLRC fact-finding report concluded that the peddlers were independent contractors, and the complaint was dismissed on February 2, 1973.

4. **Appeal to Secretary of Labor:**

- The complainants appealed to the Secretary of Labor, contesting the NLRC’s determination. On April 16, 1973, the Secretary reversed the NLRC’s decision, asserting that Repomanta and Moralde were Mafinco’s employees.

5. **Judicial Review:**

- Mafinco filed a special civil action for certiorari and prohibition with the Supreme Court to annul the Secretary of Labor’s decision, claiming it was outside the labor officials’ jurisdiction.

**Issues:**

1. Whether the Secretary of Labor and the NLRC had jurisdiction over the complaint.
2. Whether Repomanta and Moralde were independent contractors or employees under their peddling contracts with Mafinco.
3. Whether the termination of the peddling contracts constitutes an illegal dismissal.

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

1. **\*\*Jurisdictional Issue:\*\***

- The Supreme Court held that the old NLRC had no jurisdiction over the case as Repomanta and Moralde were not employees but independent contractors under the peddling contracts.

2. **\*\*Employment Status:\*\***

- Reviewing the peddling contract's nature and stipulations, the Court emphasized the distinctive features of an independent contractor relationship. The major provisions highlighted include:

- The provision of delivery trucks by Mafinco.
- The peddlers' responsibilities for their helpers' employment and compliance with labor laws.
- The financial and operational independence held by the peddlers.
- The Court concluded that Repomanta and Moralde were independent contractors, not employees.

3. **\*\*Allegation of Illegal Dismissal:\*\***

- The Court found that the termination was executed as per the contract stipulations and did not constitute an illegal dismissal. The termination adhered to the right to end the contract with five days' notice, stressing that evidence and further inquiry into factual allegations would be required to adjudge claims of wrongful dismissal.

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

1. The determination of an employer-employee relationship is based on several criteria, including the control over work performance, financial independence, and contractual stipulations that suggest independent contractor status over employment.

2. In ambiguous situations, formal, notarized contractual agreements and the actual operational conduct hold significant weight in judicial determination. The Court reinforced that legal instruments freely entered into should guide the assessment unless solid evidence points to evasion of labor laws.

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

1. **\*\*Key Legal Elements:\*\***

- **\*\*Selection and Engagement:\*\*** Peddlers were independently contracted, selecting their work terms.
- **\*\*Payment of Wages:\*\*** Absence of traditional wage-payment mechanisms; peddlers

earned through commissions.

- **Power of Dismissal:** Contracts could be terminated with notice, without the typical employer-employee dismissal framework.
- **Control:** Limited control by Mafinco over daily operations, consistent with independent contractor status.

## 2. **Statutory Provisions:**

- **Labor Code:** Jurisdictional limits and statutory definitions emphasized, especially regarding what constitutes an employer-employee relationship versus an independent contractor.
- **Civil Code (Arts. 1370, 1374):** Interpretation principles guiding contract obligations and terms.

## **Historical Background:**

- The case arose during a period when the Philippine government was intensively promoting labor rights and scrutinizing business practices to avoid worker exploitation. Presidential Decree No. 21 was part of a series of reforms to strengthen labor protections, reflecting the national agenda for social justice, especially in the burgeoning labor sectors of the 1970s. The court decision thus sits at the intersection of evolving labor laws and established contractual freedoms within business practices.