

H. ARONSON & CO., INC., THE PHOTO MATERIALS CO., INC. AND MEDEL OFFICE MATERIALS & PAPER CO., INC., PETITIONERS, VS. ASSOCIATED LABOR UNION, ALEJANDRO CENIZA, LORENZO SOLON, LUC...

G.R. No. L-23010. July 09, 1971

Ponente: DIZON, J.

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DIZON, J.:

Petitioners' appeal from an order of the Court of Industrial Relations issued in Case No. 290-ULP-Cebu of November 11, 1963, penned by the then Presiding Judge, Jose S. Bautista, subsequently affirmed by the court en banc, the dispositive part of which is as follows:

"WHEREFORE, the Court, finding the respondents guilty of unfair labor practices as charged, orders them to cease and desist from such acts, and to reinstate complainants Alejandro Ceniza, Lorenzo Solon, Lucas Atienza, Hospicio Castillo, Eulogio Gernale, Petronio Bustamante, Catalina Aranas and Maria Cabatingan to their former positions under the same terms and conditions of employment with back wages from the time they were illegally dismissed until they are actually reinstated by employing them either in the Photo Materials Company, Inc., or Medel Office Materials and Paper Company, Inc."

Upon the filing of a charge for unfair labor practice with the Court of Industrial Relations by herein respondents against petitioners H. Aronson & Co., Inc. - hereinafter referred to as Aronson or the Company -, and/or Photo Materials & Paper Co., and/or Photo Materials Company, Inc. - hereinafter referred to as Photo Materials - and Medel Office Materials and Paper Co., Inc. - also referred to hereinafter as Medel - a preliminary investigation was had and thereafter the corresponding charge was filed against them under the provisions of Section 4(a), sub-sections (1), (2), and (4) of Republic Act No. 875. After hearing, the parties charged were found guilty. Their motion for reconsideration having been denied subsequently by the court en banc, they took the present appeal.

The following facts have been established: Aronson, originally known as Moody Aronson & Co., Inc., was incorporated in 1920, with an authorized capital stock of P500,000.00 and a corporate life of 50 years expiring on May 27, 1970. Its corporate purpose was to engage, as it actually engaged, in the business of buying, importing and selling of goods, wares and merchandise, wholesale and retail, including photo materials and supplies, writing paper, school books, stationery and stationery supplies. In the course of time it became an Aronson family controlled corporation.

In 1958 its President and General Manager was Francis Aronson, and its Assistant Manager was Donato Medel. That year thirteen of its twenty-five employees became members of the respondent Associated Labor Union, among them being the individual respondents Alejandro Ceniza, Lorenzo Solon, Lucas Atienza, Hospicio Castillo, Eulogio Gernale, Petronio Bustamante, Catalina Aranas and Maria Cabatingan. In the month of September of that year, because of the dismissal of Eugenia Solon, a union member, her co-employees who were union members declared a strike which was soon settled as a result of conciliation negotiations initiated by the

Cebu Regional Office of the Department of Labor.

Sometime thereafter, the respondent Union and its members made demands for a collective bargaining agreement with the Company to obtain certain benefits in connection with their working conditions. When the Company refused to enter into a collective bargaining agreement, the employees who were union members declared a second strike in December of that year. After some time the Company management acceded to their demands and entered into a collective bargaining agreement with them on January 6, 1959, the same having been renewed on March 23, 1960. In this manner the union members obtained labor benefits consisting of union security clause, security of employment, conversion of daily to monthly salaries, sick and vacation leaves, medical and dental care, etc.

On January 6, 1960, management sent to the employees of the Company letters of termination of employment of the following tenor:

"This is to notify you that on July 31, 1961 you will be separated from the service of this Company. Consequently, on August 1, 1961 you will no longer be in the employ of this Company.

"Due to poor business, the stockholders desire to dissolve this Corporation or to discontinue doing business on or about July 31, 1961."

Then on February 13, 1961 Aronson's original Articles of Incorporation were amended so that, instead of its corporate existence expiring on May 27, 1970, it was made to expire nine (9) years earlier, or more specifically, on July 31, 1961. On March 9, 1961, or less than a month after such amendment had been accomplished, Medel was incorporated with a capital stock of P100,000.00, and on July 17 of the same year, another new corporation, Photo Materials was also incorporated with an authorized capital stock of P400,000.00.

The total authorized capital stock of the two new corporations amounting to P500,000.00 was exactly the same authorized capital stock of Aronson. Moreover, Photo Materials was organized to engage in the business of importing and exporting, buying and selling goods, specifically photographic equipment and supplies, cameras, graphic art films, greeting cards, and to maintain a photo processing laboratory and a photo finishing and photo-graphic studio, while the other new corporation, Medel, was organized to engage in the business of buying and selling wares and merchandise of all kinds, such as paper and other office materials. It will thus be seen that the two new corporations were organized to engage in exactly the same business in which Aronson had been engaged; in other words, to take over the latter's business.

On July 15, 1961, all the employees of Aronson who were members of the respondent Union were required to stop working in spite of the fact that, according to the notice of termination of employment served on them, their services were to be terminated on the 31st of that month. On the other hand, the employees of the Company who were not members of the respondent Union were allowed to continue working up to that date, and thereafter they continued working because they were absorbed or reemployed by the newly organized corporations: Photo Materials and Medel.

There is also sufficient evidence to show that Medel started its business with the stocks and office equipment of Aronson, and occupied for that purpose one-half of the store and bodega formerly used by the latter. The other half was used by the other new corporation - Photo Materials - who started business at the same time as Medel.

It is not disputed that the individual respondents were among the oldest in the service of Aronson, as may be seen in the following table showing their date of employment, salary upon termination, and number of years in the service, quoted from the appealed order:

NAME

DATE OF EMPLOYMENT

SALARY UPON TERMINATION

NO. OF YEARS

IN THE

SERVICE

1. Hospicio Castillo

12- 1-19

P130.00

41 yrs.

7 mos.

2. Alejandro Ceniza

2-18-29

200.00

32 "

3. Lucas Atienza

7-29-24

127.00

37 "

4. Maria Cabatingan

6- 1-27

170.00

34 "

5. Lorenzo Solon

3-27-32

130.00

29 "

4 "

6. Catalina Aranas

4- 1-33

130.00

28 "

3 "

7. Eulogio Gernale

3-21-48

127.00

13 "

4 "

8. Petronio Bustamante

1-13-41

120.00

20 "

To simplify the discussion of the fourteen errors allegedly committed by the Court of Industrial Relations, We shall divide them into four groups on the basis of the relation existing among the issues raised therein.

The first to the fourth, and the eight to the ninth assignments of error partially state petitioners' position as follows: that Photo Materials and Medel are not mere successors-in-interest or subsidiaries of Aronson and that, therefore, there never had existed a relationship of employer and employee between them, on the one hand, and the individual respondents, on the other; that, in view of this absence of employer and employee relationship, the Court of Industrial Relations had no jurisdiction over Photo Materials and Medel; that the law applicable to the facts of this case is Republic Act No. 1052, as amended by Republic Act No. 1787, and not Republic Act No. 875.

The fifth to the seventh assignments of error state another phase of petitioners' position as follows: that the corporate life of Aronson expired on July 31, 1961; that, as a consequence, the herein individual respondents were legally dismissed from its service as of that date in accordance with the provisions of Republic Act No. 1052, as amended by Republic Act No. 1787; that, independently of this, Aronson properly terminated their services in accordance with the terms of their collective bargaining agreement in force at that time.

Lastly, in the tenth to the fourteenth assignments of error petitioners contend that the Court of Industrial Relations erred in finding them guilty of unfair labor practice; in ordering them to reinstate the respondents named in the appealed order either in Aronson or in either one of the other two petitioners; and lastly, in ordering them to pay back wages to the individual respondents.

In view of the issues thus raised, it is quite obvious that the question of whether or not the shortening of the corporate life or dissolution of Aronson, and the subsequent incorporation of the other two petitioners were part and parcel of a plan, or were intended to accomplish the dismissal of the individual respondents. In the light of the facts set forth above and others to be mentioned hereinafter, We have come to the conclusion that such was really the case.

It is clear from the record that prior to the year 1958 Aronson had no labor trouble worth mentioning. That year, however, thirteen of its twenty-five employees became members of the respondent Union, and that same year Aronson saw the even tenor of its business disturbed first, by a strike declared in September 1958 by the union members in protest against the dismissal of Eugenia Solon, and later, by a second strike declared in December 1958 - lasting until January 1959 - as a result of certain demands made upon the Company by its employees

affiliated with the respondent Union.

So, on January 6, 1960, Aronson served written notice to its employees of the termination of their services as of July 31, 1961, allegedly due to the desire of its stock-holders to dissolve the corporation because of poor business. Then, on February 13, 1961, obviously with the end in view of giving the termination of employment the appearance of good faith and legality, Aronson amended its original Articles of Incorporation to make its corporate life expire on July 31, 1961 instead of May 27, 1970 as provided for in said original Articles of Incorporation.

Furthermore, evidently to further give a semblance of good faith and legality to the termination of the services of its employees - particularly those affiliated with the respondent Union - on March 9, 1961 petitioner Medel was established with a capital stock of P100,000.00, followed by the incorporation on July 17 of the same year of the other petitioner Photo Materials with an authorized capital stock of P400,000.00. The combined capital of the two new corporations was exactly the amount of the capital stock of Aronson, and the new corporations' corporate purposes were exactly the same as those of Aronson. Indeed, the facts established by the evidence lead to no other conclusion than that the two new corporations actually took over the business of Aronson. To these circumstances so blatantly revealing petitioners' purpose, must be added these additional circumstances: that the new corporations started business a day after the closure of business of Aronson; that the members of the Aronson family who controlled said company are in the same controlling position in the two new corporations; and lastly, that Aronson's employees who were not members of the respondent Union later found immediate employment with the new corporations.

Petitioners' contention that the dissolution of Aronson was due to "poor business" is, upon the record, clearly without merit. It was ably disposed of by Judge Bautista in the appealed order, as follows:

"Upon careful and thorough analysis of the evidence adduced and from the observation by the undersigned of the demeanor and manner of the witnesses who testified on both sides, the preponderance of evidence inclines towards the finding that the H. Aronson & Company was not doing poor business in 1959 or 1960 but on the other hand, it was making better business than in the preceding two years, 1957 and 1958. In 1957, said Company had suffered a net loss of P6,179.50 (Exhibit "52"). In 1958 the Company recovered amazingly for it had a net profit of P7,796.60 (Exhibit "53"). In 1959, its net profit increased to P8,930.23 (Exhibit "34"). And in 1960, it doubled its net profit to the tune of P16,903.63 (Exhibit "34"). These facts were admitted by Mr. Francis Aronson on the witness stand (t.s.n., pp. 794-95); he also admitted as it likewise appears in Exhibit "34", that in 1960, the Company had a surplus and profit in the total amount of P34,084.46 (t.s.n., p. 682). From these figures it is beyond dispute that the Company's business improved gradually from 1958 to 1960 as its profit progressively increased during the period. It is likewise apparent that its business in 1960 was more profitable than in the previous years of 1959, 1958 and 1957. Mr. Aronson openly admitted that there was more reason, from the business point of view, to dissolve the Company in 1959 than in 1960 (t.s.n., pp. 685-686).

That the Company was not losing or doing poor business in 1960 is shown by the fact that on April 24, 1960, it increased its personnel by adding two (2) additional employees, Patricinio Diaza and Roberto Gorosin (t.s.n., pp. 605-606). Likewise in January, 1960, the Company gave salary increases to two (2) employees, namely, Juanito Solon and Andres Tugot (t.s.n., p. 597).

It is true (and the evidence supporting this is uncontradicted) that the H. Aronson & Company suffered reduction of its import quota allocations beginning 1960 until its quota was abolished in the second quarter of 1960. This court can take judicial notice that import quota allocations were progressively cut down beginning 1961 and 1962 in order to prepare our international dollar reserve and that this reduction was general and nationwide for it affected all import business in the Philippines. But the business engaged in by the H. Aronson

& Company did not entirely depend for its stock upon importation from abroad. Thus, Mr. Aronson himself admitted that to fill up its diminishing imported stock and supplies, the Company resorted to local purchases from local Companies. (t.s.n., pp. 672-673). That this recourse to local purchases after the import quota allocations were altogether abolished did not as a whole bring about such poor business as to warrant the immediate dissolution of the Company and the complete stoppage of its business is clearly indicated by the fact that on August 1, 1961, Mr. Aronson and the members of his family, who owned majority if not most of the stocks of the dissolved H. Aronson & Company, opened up for business the newly incorporated Photo Materials Co. Inc., engaging in the business of photography and sale of photographic supplies and equipments which was the same business carried by the dissolved H. Aronson & Company. As a matter of fact, this newly-incorporated Photo Materials Company started business with stocks of photo supplies locally purchased from Kodak (Philippines) t.s.n., pp. 672-673). If it were true that the reduction and ultimate abolition of import quota allocations constituted the important and immediate cause of the dissolution of the H. Aronson & Company, then under the substantial ownership and managership of Mr. Francis Aronson, it cannot be understood why said Mr. Aronson opened up a business similar to that of H. Aronson & Company which allegedly depended upon import quota allocations. If at all, the opening for business of the Photo Materials Company and the Medel Office Materials and Paper Company for that matter after the dissolution of the H. Aronson & Company, both of which newly-opened companies carry on the same business as the H. Aronson & Company is clear indication that the reduction and abolition of its import quota allocations did not constitute the primary cause of the dissolution of the H. Aronson & Company.

The true cause of the termination of the services of the complainants is their membership with the Associated Labor Union and their union activities. This finding is supported by the antecedent facts related above, that is, since its establishment in 1920 the only instance when the management of the H. Aronson & Company began to find interference in the conduct of its business affairs was in 1958 when the Associated Labor Union, to which the complainants are affiliated, declared two strikes wherein the union decisively got what it wanted from the reluctant management. Attempts were made by the management to break the majority then held by the Union but it was not successful."

Our conclusion, therefore, is that the Court of Industrial Relations had jurisdiction over the case and the petitioners herein; that it correctly found petitioners guilty of unfair labor practice, and in granting to the individual respondents the relief set forth in the dispositive portion of the appealed order (Majestic etc., vs. Court of Industrial Relations, L-12607, Feb. 28, 1962; Fernando vs. Angat Labor Union, L-17896, May 30, 1962; PLASLU vs. Sy, L-18476, May 30, 1964; Yu Ki Lam vs. Micaller, L-9565, Sept. 14, 1956; Talisay, etc. vs. CIR et al., 60 O.G. pp. 5143, 5151, Jan. 30, 1960).

WHEREFORE, the appealed order being in accordance with law, the same is hereby affirmed, with costs.

Concepcion, C.J., Reyes, J.B.L., Makalintal, Zaldivar, Fernando, Teehankee, Barredo, Villamor, and Makasiar, JJ., concur.

Ruiz Castro, J., did not take part.

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