

MANILA ELECTRIC COMPANY, PETITIONER, VS. ATTY. PANGILALO GAERLAN AND COURT OF INDUSTRIAL RELATIONS, RESPONDENTS, CARLOS A. BUENDIA, ET AL., INTERVENORS.

G.R. Nos. L-35406-07. May 29, 1980

Ponente: ABAD SANTOS, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/729058d4f8eb/>

ABAD SANTOS, J.:

In this petition for review of the order of the Court of Industrial Relations dated April 4, 1972, and its resolution dated June 21, 1972, the ultimate issues to be resolved are: (1) whether or not under the provision of Sec. 7 of the Collective Bargaining Agreement entered into by and between the Manila Electric Company (Meralco) and the Meralco Workers' Union (a union of rank and file or non-supervisory employees of Meralco) and approved by the C.I.R. on April 29, 1955, in Case No. 7-IPA, the supervisory employees of Meralco are entitled to receive from said company a 6 1/2% salary increase; and (2) in the affirmative, whether or not Atty. Pangilalo Gaerlan has the right to deduct from such salary increase 20% thereof as his attorney's fees for services allegedly rendered in connection with said collective bargaining agreement.

This case had its origin in a labor dispute, involving the Meralco and the Meralco Workers' Union, which was certified to the C.I.R. on February 24, 1955, by then President Ramon Magsaysay for compulsory arbitration pursuant to Sec. 10 of the Industrial Peace Act (R. A. No. 875). Docketed as Case No. 7-IPA, the compulsory arbitration culminated with the approval by the C.I.R. on April 29, 1955, of a collective bargaining agreement granting to the employees concerned various benefits such as that provided for in Sec. 7, thereof, to wit:

"Section 7

"Classification of Employees Positions
and Standardization of Salaries

"The UNION accepts the plan of classification of positions and standardization of salaries as prepared and produced by the COMPANY, in pursuance of Section 7 of the former Agreement of December 22, 1953, and the COMPANY shall put it into effect after, and not before, satisfying or complying with the following condition:

"That (a) all employees receiving salaries or wages up to P250.00 per month or its equivalent will be granted an automatic increase of thirteen per cent (13%) over their present salaries or wages, and (b) employees receiving salaries or wages above P250.00 per month or its equivalent will be granted an automatic increase of six and one half per cent (6 1/2%) over their present salaries or wages; it being understood that the final rates will be to the nearest centavo per hour or the nearest peso per month."

"It is mutually understood and agreed by and between the parties herein that the classification of positions and standardization of salaries are not deemed to be final and inflexible, but may be subject to such changes or amendments as the parties herein may mutually agree from time to time."

Pangilalo Gaerlan, a member of the Philippine Bar but who was but a mere clerk-typist in the Engineering

Department of Meralco, was then President of the Meralco Workers' Union. He signed and filed all the pleadings and appeared for the Union in all the hearings and other proceedings had in said Case No. 7-IPA.

On July 28, 1955, the Meralco Workers' Union filed with the C.I.R. an unfair labor practice case against the Meralco praying for the reinstatement of Dionisio Alcancia, a union member, to his former position as bill collector, with back wages, and praying further that the company be ordered to bargain collectively in good faith with its employees or their representatives by implementing the provisions of the approved collective bargaining agreement, particularly Sec. 7 thereof. The case was docketed as Case No. 731-ULP. Meralco answered alleging that Alcancia was dismissed because he had misappropriated and converted to his own use collections made by him in the sum of P593.00, and alleging further that it had faithfully complied with all the provisions of the CBA of April 29, 1955. After due hearing, the C. I. R. found the complaint for unfair labor practices without merit and rendered its decision on December 20, 1961, the dispositive portion of which reads as follows:

"IN VIEW OF THE FOREGOING, the charge of unfair labor practices against the respondent should be, as they are hereby, dismissed. This Court, however, without enforcing the agreements between the parties which gave rise to some of the disputes herein, hereby enjoins the parties to comply with the same as it was approved by this Court in Case No. 7-IPA, since anyway the parties do not have any objection to its literal implementation."

On July 11, 1962, Atty. Pangilalo Gaerlan, the counsel of record of the complainant union, filed in said Case No. 731-ULP a "Motion for Execution and Notice of Attorney's Lien". This motion was granted by the C. I. R. in an order dated March 3, 1965, the dispositive portion of which reads as follows:

"IN VIEW OF THE FOREGOING, the Court grants the motion for execution insofar as the 6 1/2% retroactive increase provided in Section 7 (b) of the award in Case No. 7-IPA.

"Likewise, the Court hereby approves the twenty per cent (20%) attorney's lien in favor of Atty. Pangilalo Gaerlan on all the benefits received or to be received by each and every worker as provided in the award in Case No. 7-IPA.

"The company is hereby ordered to withhold for immediate delivery to movant counsel twenty per cent (20%) of the amount adjudicated to each and every employee receiving then a minimum salary of P300.00 from his six and a half (6 1/2) per cent increase retro-active to January 1, 1955 as provided for in Section 7, paragraph (b) of the Award dated April 29, 1955 in Case No. 7-IPA.

"The company is further ordered to deduct, monthly, for immediate delivery to movant counsel, two per cent (2%) of the monthly salary from each and every employee benefited by the said award until the amount due said movant counsel is fully paid.

"The Examiner of the Court is hereby ordered to compute the 6 1/2% increase retroactive to January 1, 1955 as stated above, as well as all the benefits already received by all the employees of the respondent company and the corresponding attorney's fees to be paid by each and every beneficiary of the award dated April 29, 1955 in Case No. 7-IPA, and to transmit his report to the company for the compliance of the order."

Meralco filed a motion for reconsideration of said order but the same was denied by the C.I.R. in a resolution dated April 2, 1965. Consequently, Meralco appealed said order and resolution by filing with this Court a petition for review. The petition, docketed as G. R. No. L-24453, was, however, dismissed by this Court in a minute resolution dated May 10, 1965.

The Meralco Workers' Union likewise appealed to this Court the said order of the C. I. R. dated March 3, 1965, and its resolution dated April 2, 1965. The appeal, docketed as G. R. No. L-24505, was given due course and the parties were required to file their respective appeal briefs. On April 30, 1970, this Court rendered a decision the

pertinent portions of which read as follow:

"It is patent that it was error for respondent Gaerlan to file his motion for award of attorney's fees and for execution in Case No. 731-ULP, in the same manner that it was error for the CIR to entertain such motion and to issue the writ in said case. This conclusion is fortified by the fact that, in the appealed order itself, the CIR held - following the doctrine laid down in the case of Philippine Sugar Institute vs. CIR, et al. (106 Phil. 401) - that it has no jurisdiction to enforce collective bargaining agreements. It is, therefore, clear that Case No. 7-IPA which ended with a Collective Bargaining Agreement submitted to and approved by the CIR, is the proper forum for the consideration of the professional fees due to the lawyer who appeared for the parties therein.

x x x x x x x x

"WHEREFORE, the order and resolution appealed from are hereby set aside, without prejudice to the right of respondent Gaerlan to file his claim for attorney's fees in Case No. 7-IPA, where it should be resolved after giving all the interested parties an opportunity to be heard in accordance with law. With-out costs." (32 SCRA 419, 429-430, 431-432.)

Subsequently, Atty. Gaerlan filed with the C.I.R. in Case No. 731-ULP and Case No. 7-IPA, an "Amended Motion for Execution and for Attorney's Fees" dated December 5, 1970. But instead of directing his claim for attorney's fees against the rank and file or non-supervisory employees of Meralco, who composed the Meralco Workers' Union, he waived his claim against said em-ployees and sought payment of his attorney's fees from the super-visory employees of Meralco, thus:

"WHEREFORE, it is respectfully prayed that with respect to supervisory employees of the Manila Electric Company who are the beneficiaries of the Order of this Honorable Court dated March 3, 1965 in Case No. 731-ULP, the same be now ordered executed and that the herein movant be granted attorney's fees in the amount originally claimed by him in his 'Motion for Execution and Notice of Attorney's Lien' dated July 11, 1962."

The Meralco filed an "Opposition to the Amended Motion for Execution" on December 10, 1970, on the grounds, among others, that there was nothing to execute in Case No. 731-ULP because the order, dated March 2, 1935, had been modified in G.R. No. L-24505 and, further, that the supervisory workers of Meralco were not members of the Meralco Workers' Union. Likewise, Meralco filed an "Urgent Motion to Notify Supervisory Employees" on January 23, 1971.

On February 13, 1971, Atty. Gaerlan filed an "Opposition to 'Urgent Motion to Notify Supervisory Employees'" alleging that his claim was one of common interest to the supervisors concerned who are so numerous that it was impracticable to bring them all before the court. He then contended that some of the supervisors may defend for the benefit of all, invoking Sec. 12 of Rule 3 of the Rules of Court on Class Suit. Subsequently, Gaerlan filed a "Manifestation and Motion" stating therein the names and addresses of eleven (11) supervisors and praying that notice of the hearings of his "Amended Motion for Execution and for Attorney's Fees" and "Motion to Deposit and to Continue Com-putation" be sent to said eleven supervisors and be ordered published in any newspaper of general circulation.

On April 14, 1971, the C.I.R. issued an order requiring its Deputy Clerk of Court to issue summons to the eleven (11) supervisors enumerated in Gaerlan's "Manifestation and Motion" with specific notice to them of the date of hearing of the said two motions of Gaerlan and directing Gaerlan to have said order published in the Manila Daily Bulletin once a week for three (3) successive weeks for the information and guidance of the super-visors not included in the list of eleven. None of the eleven super-visors filed any opposition to Gaerlan's motions.

Hearings were conducted. Thereafter, movant Gaerlan and oppositor Meralco filed their respective memoranda in support of their stand. And on April 4, 1972, the C. I. R. issued the order appealed from, the dispositive portion of which reads:

"IN VIEW OF ALL THE FOREGOING, and after considering the evidence on record and the exhibits submitted for and against the claim of attorney's fee of Atty. Pangilalo Gaerlan this Court hereby resolves to award him 20% of the benefits due the supervisors that culminated with the Collective Bargaining Agreement approved by the Trial Court on April 29, 1955. But since Atty. Gaerlan has waived whatever is due him as far as the rank-and-file workers, the 20% award shall be deducted from the supervisors who anyway received or would re-ceive the corresponding increases and benefits decreed by the Court as part of the April 29, 1955 Order.

"SO ORDERED."

A motion for reconsideration was filed by Meralco but the same was denied by the C. I. R. in a resolution dated June 21, 1972. Thus, Meralco appealed the said order and resolution to this Court by filing a petition for review on September 5, 1972.

Despite a motion to dismiss filed by herein private respondent Pangilalo Gaerlan. We resolved to give due course to the petition for review on September 12, 1972. And after respondent Gaerlan had filed his "Answer" to the petition on October 4, 1972, We required the petitioner company to file its brief.

On January 2, 1973, a "Petition for Leave to Intervene" was filed by Carlos Buendia and ten (10) other employees of Meralco who were occupying managerial positions but were supervisors in said company on April 29, 1955 - when the subject collective bargaining agreement was approved by the C. I. R. Meanwhile, petitioner filed its brief on January 15, 1973.

We granted the petition for intervention in a resolution dated January 30, 1973.

Respondent Gaerlan filed his brief on March 21, 1973. On March 26, 1973, Carlos Buendia, et al., filed their "Petition in Intervention."

On April 2, 1973, We resolved to give due course to the Petition in Intervention, and, on June 26, 1973, We required the intervenors to file a brief in reply to respondent's brief which they did on August 28, 1973. On November 10, 1973, respondent Gaerlan filed his rejoinder to the intervenors' reply brief. On November 22, 1973, We resolved to consider this case submitted for decision.

On February 25, 1976, respondent Gaerlan filed a "Motion to Remand Case to National Labor Relations Commission for Execution" claiming that pursuant to Sec. 11, Art. X of the New Constitution, the appealed order is deemed affirmed. We denied said motion for lack of merit in a resolution dated April 30, 1976.

On December 5, 1979, respondent Gaerlan filed an "Ex-Parte Motion to Dismiss Petition on the Ground of 'Res Judicata', in-voking G. R. No. L-24453 where, as heretofore stated, this Court dismissed by minute resolution the petition for review, filed by Meralco, of the order of the C. I. R. dated March 3, 1965, and of its resolution dated April 2, 1965. Meralco filed its "Comment on Respondent's Motion to Dismiss" on March 3, 1980, to which a reply was filed by respondent Gaerlan on March 14, 1980.

Respondent's plea of res judicata cannot be sustained. For as held by this Court in a long line of cases, for res judicata to exist, the following essential requisites must concur: (1) the former judgment must be final; (2) it must have been rendered by a court having jurisdiction of the subject matter and the parties; (3) it must be a judgment on the merits; and (4) there must be, between the first and second actions: a) identity of parties; b) identity of subject matter; and c) identity of cause of action. (Ipekdjian Merchandising Co., Inc. vs. Court of Tax Appeals,

L-15430, September 30, 1963, 9 SCRA 72; Philippine Farming Corporation, Ltd. vs. Llanos, L-21014, August 14, 1965, 14 SCRA 949; Abes vs. Rodil, L-20996, July 30, 1966, 17 SCRA 822; Cruz vs. Mossesgold, L-20495, August 31, 1968, 24 SCRA 1006; Santos vs. Gabriel, L-22996, May 31, 1972, 45 SCRA 288; Viray vs. Mariñas, L-33168, January 11, 1973, 49 SCRA 44; Benin vs. Tuason, L-26127, June 28, 1974, 57 SCRA 531; PCI Bank vs. Pfleider, L-28017, July 15, 1975, 65 SCRA 13; Municipality of Hagonoy vs. Secretary of Agriculture and Natural Resources, L-27595, October 26, 1976, 73 SCRA 507; Dacasin vs. C.A., L-32723, October 28, 1977, 80 SCRA 89; Aroc vs. PHHC, L-39674, January 31, 1978, 81 SCRA 350; Anticamara vs. Ong, L-29639, April 14, 1978, 82 SCRA 337; Mendoza vs. Arrieta, L-32599, June 29, 1979, 91 SCRA 113.) And the factual and procedural antecedents of the instant case belie the existence of the foregoing essential requisites.

The dismissal by this Court of the petition for review filed by Meralco in G. R. No. L-24453 did not render final and executory the appealed order of the C. I. R. dated March 3, 1965, and its re-resolution dated April 2, 1965. For the same order and resolution were likewise appealed to this Court by the Meralco Workers' Union in G. R. No. L-24505 where this Court consequently set aside the same. Significantly, the ground relied upon by this Court in setting aside said order and resolution was the lack of jurisdiction of the C.I.R. in issuing said order and resolution in an unfair labor practice case (Case No. 731-ULP). Thus, not only was there lack of finality of the prior order, but there was, in the legal sense, no prior order to speak of as the same was set aside for having been issued without jurisdiction.

Furthermore, there is no identity of parties and of subject matter in the order of March 3, 1965, and that of April 4, 1972. For while the former concerned Gaerlan's claim of attorney's fees against the Meralco Workers' Union or the non-supervisory employees of Meralco, the latter, on the other hand, involved his claim of attorney's fees against the supervisory employees of said company.

Since the dismissal of the petition on the ground of res judicata cannot be sustained, We thus proceed to resolve what We have stated at the outset as the two ultimate issues to be resolved in this petition for review.

- WHETHER OR NOT THE SUPERVISORY EMPLOYEES OF MERALCO ARE ENTITLED, UNDER SECTION 7 OF THE COLLECTIVE BARGAINING AGREEMENT OF APRIL 29, 1955, TO RECEIVE FROM MERALCO 6 1/2% SALARY INCREASE

Respondent Gaerlan anchors his claim for attorney's fees which would amount to about P170,000.00 against the supervisory employees of Meralco on services allegedly rendered by him in Case No. 7-IPA which culminated in the Collective Bargaining Agreement approved by the C. I. R. on April 29, 1955. But Case No. 7-IPA did not in any legal manner concern the supervisory employees of Meralco as it involved merely said company and the Meralco Workers' Union a union of rank and file or non-supervisory employees of Meralco - of which Gaerlan was then the President. The Collective Bargaining Agreement of April 29, 1955, was entered into by and between the company and the union and, as such, it covered merely the non-supervisory employees of Meralco pursuant to the basic legal principle that contracts take effect only between the parties thereto. But more importantly, the agreement itself expressly and unequivocally excludes the supervisory employees of Meraldo from its coverage. Thus, Section 3 of the CBA provides:

"Section 3

"Persons Covered by this Agreement

"This agreement shall apply to every person who on the date of this Agreement has acquired regular employee status and is employed in any of the units of the Company as grouped and hereunder listed according to the Company's payroll section members, but excluding executives and supervisory employees:

x x x x x x x x

(Records, p. 70, italics supplied.)

Clearly, therefore, respondent's contention that the supervisory employees of Meralco became entitled to a 6 1/2% salary increase by virtue of said CBA is untenable.

II. WHETHER OR NOT RESPONDENT GAERLAN IS ENTITLED TO RECEIVE FROM THE SUPERVISORY EMPLOYEES OF MERALCO AS ATTORNEY'S FEES 20% OF THEIR SALARY INCREASE

The intervenors correctly pointed out that even assuming that the supervisory employees of Meralco were actually granted by the company an increase in salary similar to the salary increase due to its non-supervisory employees by virtue of Sec. 7 of the CBA, the same could not have been due to said CBA nor to any special effort of respondent but to a policy or concession of the management of Meralco, and, as such, the supervisory employees could not be legally compelled to pay to respondent Gaerlan as attorney's fees any part of said salary increase. Such was Our ruling in the case of Pascual vs. Court of Industrial Relations (L-27856-57, February 28, 1979, 88 SCRA 645) which similarly involved a claim for attorney's fees against supervisory employees by the lawyer of the union of rank and file employees. In that case, We denied the claim for attorney's fees for while the supervisors, junior executives and confidential employees of Pan American World Airways, Inc. were granted by said company salary increases similar to those granted to the rank and file employees, the same was not due to any special effort of the lawyer of the union of rank and file employees but because of the company's policy of non-discrimination. In the case at bar, no allegation whatsoever was made by respondent lawyer of any special effort in connection with the alleged salary increase of the supervisory employees. He anchored his claim for attorney's fees solely on services allegedly rendered by him in connection with the CBA of April 29, 1955, apparently banking on the mistaken notion that the supervisory employees were entitled under Sec. 7 thereof to the alleged salary increase.

WHEREFORE, the appealed order of the C. I. R. dated April 4, 1972 and its resolution dated June 21, 1972 are hereby SET ASIDE. Costs against private respondent.

SO ORDERED.

Barredo, (Chairman), Aquino, Concepcion, Jr., and De Castro, JJ., concur.

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.