

CARLOS CRUZ, PETITIONER, VS. PHILIPPINE ASSOCIATION OF FREE LABOR UNIONS (PAFLU), RESPONDENT.*G.R. No. L-26519. October 29, 1971*

Ponente: FERNANDO, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/ddaea3166e65/>**FERNANDO, J.:**

Respondent Court of Industrial Relations, in its decision sought to be reviewed in this petition, sustained the claim of respondent Philippine Association of Free Labor Unions, hereinafter designated as the respondent Union, that the sale of the Quality Container Factory was designed to avoid bargaining collectively with it as the duly chosen representative of such employees and thus constituted an unfair labor practice. It therefore held vendors Catalina V. Tan and Victor Tan[1] and vendee Carlos Cruz[2] liable for the reinstatement of the members of respondent Union to their employment with full back wages. With such a finding of bad faith reached by respondent Court, which is not for us to disregard, there is a heavy burden of persuasion that must be borne by the party assailing a decision of an administrative tribunal. A careful scrutiny of the arguments in the respective briefs filed by petitioners in these two cases does not, for all their plausibility, suffice to indicate that a different conclusion is called for. We affirm.

The background facts are set forth thus in the resolution of respondent Court now before us: "It appears from the record that the Quality Container Factory is a joint business venture of a husband and wife team — [the Tan spouses] — employing hired-hands in the manufacture and sale of tin cans. Sometime in January 1961 these workers formed a union, elected its officers and had it registered with the Department of Labor. Subsequently, on February 28, 1961 the factory received from the complaining union a notice of its existence with an attached set of collective bargaining proposal after a series of unreasonable delay in discussing or negotiating with complainant the possibility of entering into a collective bargaining contract, a management-inspired petition was later filed with this Court docketed as Case No. 894-MC. This notwithstanding, and in spite of the protest lodged by the petitioner Philippine Transport and General Workers Organization (PTGWO), herein complainant Philippine Association of Free Labor Union (PAFLU) came out by a clear majority and was declared as the winning collective bargaining representative of the Quality Container Factory Workers." [3] Then came this portion: "On June 14, 1963, after the issue of certification was decided by this Court, complainant union proposed to continue the negotiations to possibly finalize a collective bargaining contract with the management. Less than a month thereafter, on July 11, 1963, the factory was however sold to respondent Carlos Cruz. The Trial Court while admitting the testimony of Mrs. [Tan] that she adequately informed the buyer of the existence of the complainant union, * * *, in the same way, sustained the testimony of Carlos Cruz that this matter was never discussed in the preliminary talks prior to the sale of the factory. Neither one nor the other could be telling the truth. It is not at all possible for the Court to lend credence to the two narrations of facts one of which, on the whole contradicts the other. Of course, the sale in all its phases is seemingly without flaw. All its elements are anyway present to clothe it with the taint of validity, except the motive, which undoubtedly was never disclosed." [4] It was noted in such a resolution: "This Court has in mind that there are a number of causes why a business enterprise has to be sold. There are so many factors to be considered, say, losses are being heavily

incurred or that the owners have tired of its so many industrial problems and would therefore want to retreat to a less busier corner. A sale, under normal conditions, may even be executed just for fun of it, and nobody would lift a finger against its valid effects. Oftentimes, however, it is simulated to rid the management of mounting labor problems." [5] After which came this observation on the part of respondent Court: "Under the situation, there was no evidence presented which would somehow indicate that business was lean, much less was it hinted that the former owners really wanted to seek retirement from further engaging into the world of trade. It could not be said that the sale was made just for the sake of selling, or that the owners were branch-ing out into other business fields. There were none of these reasons." [6]

It then ascertained what could be the possible motive for the sale in this wise: "From the outset of the organization of complainant union, the management considerably found a foe which it would not recognize for reasons we do not know. Evidence strongly insinuated that the company supported a stand apparently adverse to the sentiment of the workers. In the mentioned certification Case (894-MC) which is interrelated herein, the same company claimed to have an existing collective bargaining contract with another union but which was never produced before the Court. That is why the dispute continued from there. Evidence further hinted that during the pendency of the protest in the said certification case, the company financed the presentation of witnesses to testify against the union * * *. The labor dispute was indeed at its height, still mounting, at the same time when the alleged sale was made. There was no other excuse that the Court could exhaust under the prevailing conditions. The sale was executed not for any other cause but to rid the company of the current labor problems. (See Angat Case) All phases of evidence pointed to it." [7]

It was not surprising therefore that the conclusion reached by it was that the transaction was tainted by bad faith and that there was an unfair labor practice. Thus: "But a buyer should not be allowed to reap and enjoy all the profits of a sale without the corresponding responsibilities that are attached to the industrial enterprise, specially so when the sale was executed under dubious circumstances. If it is so the convenience of ridding the management of any labor problem is easily facilitated by simulating a sale everytime the laboring elements agitate the protection of their rights. That is why under the present condition, responsibility should be shared by both the buyer and the seller otherwise the efforts of the workers would have been futile and fruitless, since they would naturally face a blank wall after the sale. For how can they be reinstated to their former employment if the duty to rehire them be limited to the seller? This seems impossible. After all respondent Carlos Cruz, was not at all free from the attending faults. As was discussed earlier, Mrs. [Tan] made a disclosure that he was made aware of the current labor problems. It cannot be reasoned out that there was a failure, much less can it be said that he is a buyer in good faith as far as the workers are concerned. Let all the party respondents be liable, therefore." [8]

It is thus apparent that as noted at the outset the decision now on review must be affirmed. The conclusion reached by respondent Court finds support in the law. It would be a frustration of the statutory scheme in the Industrial Peace Act [9] instituting a regime of free collective bargaining to hold otherwise. The choice as to the bargaining representative of the employees belongs to them alone. In the language of the Act: "The labor organization designated or selected for the purpose of collective bargaining by the majority of the employees in an appropriate collective bargaining unit shall be the exclusive representative of all the employees in such unit for the purpose of collective bargaining in respect to rates of pay, wages, hours of employment, or other conditions of employment: * * *." [10]

Petitioners, the Tan spouses, were thereafter called upon to bargain collectively with respondent Union as such exclusive representative. There was a failure to do so by them. That was an unfair labor practice, [11] compounded by another actuation amounting to discrimination in regard to tenure or condition of employment against a labor union. [12] Apparently in an effort to avoid the legal consequences of such conduct frowned upon by the law, the

connivance of petitioner Cruz was elicited. Necessarily the sale was attended with bad faith. Respondent Court was not blind to such an attempt at evasion. It refused to countenance the resulting dismissal of the members of respondent Union. It ordered the reinstatement. Its decision far from being repugnant to law is in conformity with it. This certainly cannot be one of those cases where the judgment arrived at by respondent Court is to be ignored, much less set aside.

1. Its conclusion must be respected. There is no justification for the principal contention advanced in the ably-written briefs of both petitioners Tan and Cruz that the conclusion of respondent Court that the sale was tainted by bad faith should not be sustained. The law has not been ignored. Far from it. There is nothing offensive to the reason or common sense in the verdict thus arrived at. More-over, as far back as 1940, it was already noted by Justice Laurel, for a finding of respondent Court to lose its conclusive character, there must be a showing of abuse of discretion.[13] As worded in the Industrial Peace Act, factual determinations of the Court of Industrial Relations "if supported by substantial evidence on the record shall be conclusive." [14] It is to be noted further that it is not only findings of fact that are ordinarily left undisturbed. The principle as to the recognition to be accorded the conclusion reached by respondent Court goes further. So it was stressed in a relatively recent case, *National Waterworks and Sewerage Authority v. NWSA Consolidated Union*: [15] "The controlling doctrine recognizes the wide discretion enjoyed by respondent Court in ascertaining what actually did occur in labor disputes of whatever sort. Its conclusion once reached is invariably accorded the seal of our acceptance. Its disposition of a case before it usually elicits assent from us. It could happen of course that we may fail to view matters similarly. We have that power; it must be made use of when warranted. It does not occur often though. That is not merely so as to the facts found. The acceptance of its legal conclusion reached is not a rare event either. This is merely to recognize that on labor matters, its recognized expertise has well-nigh earned for its decrees the title-deed to recognition, unless there be a rank failure to observe the constitutional and statutory limitations which it must observe." [16] It follows there-fore that the principal assignment of error of petitioners as to the absence of bad faith appears to be without sufficient legal basis.

Support for the above conclusion comes from a leading case, *Philippine Land-Air-Sea Labor Union v. Sy Indong Co. Rice & Corn Mills*, [17] the opinion being penned by the then Justice, now Chief Justice, Concepcion. It speaks for itself. Thus: "Upon a review of the record we are inclined to sustain the conclusion of the trial judge. Indeed, as set forth in His Honor's decision, and the Resolution appealed from does not deny it: 'The management, in making their union busting air-tight, dissolved their partnership without any reason at all although its existence is for 20 years per Article of Partnership of Ang Han Tiong & Company, doing business in the name of Sy Indong Company * * *. Alfredo Que, in his testimony, alleged that the Sy Indong Company was bankrupt, but nowhere in the records was there any declaration of bankruptcy made by a competent court pursuant to the provisions of the Code of Commerce. On the contrary, the manager, Tan Chua Seng Tiong declared that as manager of the Sy Indong Company, he owned P20,000.00 worth of shares and that his shares of stocks increased a little when he withdrew it. * * * The alleged bankruptcy, therefore, of the company as pictured by Alfredo Que is absurd. Other-wise, the manager could not have withdrawn with an increased shares in stocks if the company was really bankrupt. '" The ensuing paragraph follows: "Moreover, Sen Chiong was organized on the very same day on which the assignment thereto of the assets of Sy Indong in Tubod took place, and Ang Han Tiong the managing partner of Sy Indong is the same managing partner of Sen Chiong. Again, Tiu E. Tec is, likewise a partner of both enterprises. These circumstances, when considered in relation to the fact that the present unfair labor practice case had been pending in the CIR for about 18 months prior to February 4, 1957, lead to no other conclusion than that the organizers of Sen Chiong were aware of said case when they established the company and acquired the assets of Sy Indong in Tubod, and that they either organized Sen. Chiong in an attempt to relieve Sy Indong of the consequences or effects of the present litigation, or acquired said assets assuming the risk of having to bear the

liabilities or part of the liabilities that said litigation may eventually entail. In either case, the trial Judge was justified in rendering judgment against Sen Chiong." [18]

2. Necessarily then, the alleged error assigned by petitioners, the Tan spouses, and petitioner Cruz that respondent Court should not have ordered the reinstatement of the members of complainant Union as well as the back wages to which they are entitled is equally without foundation. The language of the Industrial Peace Act is un-equivocal. For respondent Court, according to the Industrial Peace Act, is called upon to "take such affirmative action as will effectuate [its policies] including reinstatement of employees with or without back pay." Less than two months ago, in *East Asiatic Company, Ltd. v. Court of Industrial Relations*, [19] this Court, through Justice Barredo, had occasion to announce the applicable doctrine. Thus: It is the obligation of the employer to pay an illegally dismissed employee or worker the whole amount of the salaries or wages, plus all other benefits and bonuses and general increases, to which he would have been normally entitled had he not been dismissed and had not stopped working, but it is the right, on the other hand, of the employer to deduct from the total of these, the amount equivalent to the salaries or wages the employee or worker would have earned in his old employment on the corresponding days that he was actually gainfully employed elsewhere with an equal or higher salary or wage, such that if his salary or wage in his other employment was less, the employer may deduct only what has been actually earned." [20] There is thus a reconciliation of the principle that would hold an employer liable for a defiance of the plain statutory command with the equitable concept that he is not thereby precluded from reducing the financial liability incumbent upon him by the deduction of whatever wages might have been earned by the aggrieved employees. The decision now under review as thus construed is thus free from such alleged infirmity.

3. There is likewise an error assigned by petitioner Cruz that labor contracts being in personam are not enforceable against a transferee of an enterprise, there being no previous employer-employee relationship existing between the new owner and the complaining employees. Reliance is placed on our ruling in *Visayan Transportation Co. v. Java*, [21] There is no need to inquire as to the applicability of such a decision in the disposition of the present case. If the facts were otherwise and no bad faith could be imputed to petitioner Cruz, then perhaps it would be in order to ascertain whether it governs the situation. Without discounting therefore the criticism to which the *Visayan Transportation Company* case had been subjected insofar as it would ignore the binding force of a collective bargaining contract just because of the sale of the enterprise, when the vendee could be looked upon as the successor-in-interest of the vendor to whatever rights or obligations could be transferred, it suffices to state that petitioner Cruz is in the position of a tort-feasor, having been a party likewise responsible for the damage inflicted on the members of respondent Union and therefore cannot justly escape liability. That would dispose of all the errors assigned by petitioners in this appeal.

WHEREFORE, the decision of respondent Court of August 18, 1966 is affirmed. The case is hereby remanded to the Court of Industrial Relations for further proceedings in conformity with this opinion. With costs against petitioners, the Tan spouses as well as petitioner Carlos Cruz.

Concepcion, C.J., Reyes, Makalintal, Zaldivar, Barredo, Villamor, and Makasiar, JJ., concur.

Castro, J., did not take part.

Teehankee, J., reserves his vote.

[1] Petitioners in G.R. No. L-26525.

[2] Petitioner in G.R. No. L-26519.

[3] Appendix, Brief for petitioners, pp. 48-49.

- [4] Ibid, p. 49.
- [5] Ibid, pp. 49-50.
- [6] Ibid, p. 50.
- [7] Ibid, pp. 50-51.
- [8] Ibid, pp. 51-52.
- [9] Republic Act No. 875 (1953).
- [10] Sec. 12, par. a, Rep. Act No. 875.
- [11] According to Sec. 6, par. 6 of the Industrial Peace Act: "To refuse to bargain collectively with the representatives of his employees subject to the provisions of sections thirteen and fourteen."
- [12] According to Sec. 6, par. 4 of the Industrial Peace Act: "To discriminate in regard to hire or tenure of employment or any term of condition of employment to encourage or discourage membership in any labor organization:"
- [13] Manila Electric Co. v. National Labor Union, 70 Phil. 617 (1940). The cases that reiterate such a view are collected in Phil. Educational Institution v. MLQSEA Faculty Asso., L-24019, Nov. 29, 1968, 26 SCRA 272.
- [14] Section 6, Republic Act No. 875 (1953).
- [15] G.R. No. L-28694-96, Feb. 28, 1969, 27 SCRA 227.
- [16] Ibid, p. 237.
- [17] G.R. No. L-18476, May 30, 1964, 11 SCRA 277.
- [18] Ibid, pp. 283-284. The following decisions were cited: Majestic and Republic Theaters Employees' Association v. CIR, G.R. No. L-12607, February 28, 1962; Koppel v. A. L. Yatco, 43 Off. Gaz., 4604; Detective Bureau v. United Employees Welfare Association, 98 Phil. 572 (1946).
- [19] G.R. No. L-29068, August 31, 1971.
- [20] Ibid.
- [21] 93 Phil. 962 (1953).

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.