

MAJESTIC AND REPUBLIC THEATERS EMPLOYEES' ASSOCIATION (PAFLU), PETITIONER, VS. COURT OF INDUSTRIAL RELATIONS, ET AL., RESPONDENTS.

G.R. No. 12607, February 28, 1962

Ponente: BAUTISTA ANGELO, J.

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BAUTISTA ANGELO, J.:

L. C. Eugenio & Company, a corporation, was the owner of two theaters denominated Republic and Majestic which were leased respectively to two other corporations, namely, the Republic Theater Enterprises and the Majestic Theater, Inc. Leonardo C. Eugenio was the president and general manager of the three corporations. On January 1, 1955, the employees of the theaters who are members of the Majestic and Republic Theaters Employees' Association thought to affiliate their union with the Philippine Association of Free Labor Unions, known as PAFLU for short. Immediately after this affiliation the lessees dismissed from the service the union's president and vice-president which dismissal precipitated a strike among the employees. Nine days later the parties came to a settlement and agreed to reinstate the dismissed president and vice-president.

On February 16, 1955, the employees' union and the lessees-corporations entered into a collective bargaining agreement to last for two years retroactive to January 16, 1955 wherein, among other things, they stipulated: (1) during the effectivity of the agreement the union will not declare a strike while the lessees will not lockout their employees; (2) both shall use their influence and sincere efforts to observe their agreement considering not only its spirit but its letter as well; and (3) that during the effectivity of the agreement they shall not enter into any contract nor make any negotiation or arrangement with any other person or entity for collective bargaining or regarding conditions of employment.

Three months after the execution of the aforesaid collective bargaining agreement, L. Eugenio & Company, owner of the two theaters, sold the same to Goodwill Trading Company, Inc., also a corporation, and almost at the same time the two corporations leasing and operating the theaters agreed to terminate their lease contract over them. The new owner in turn leased the two theaters to another corporation denominated Rema, Inc. by concluding a contract of lease on April 26, 1955.

Bearing the same date, Leonardo C. Eugenio, president and general manager of the corporation which owned and operated the two theaters, wrote a letter to the president of the employees' union informing him of the sale as well as of the termination of the lease of the two theaters but intimating therein that he has recommended to the new owner the continuance of all the employees of the theaters in their present positions. Eugenio also informed the president of the union that in the event that some of the employees are not retained by the new lessee he would be willing to pay them whatever is due them under the law. Eugenio wrote a similar letter to the president of the Philippine Association of Free Labor Union (PAFLU).

Early in the morning of April 27, 1955, after the turning over of the two theaters to the new operator Rema, Inc., the management of the latter sent for all the employees of the theaters to advise them to sign new forms or

applications of employment if they wanted to continue in the service, and while some did sign the others refused and picketed the theaters with the result that those who applied for employment and were admitted left their posts and joined the picket. The employees who lost their jobs were about 27 in all. As a consequence, the Majestic and Republic Theaters Employees' Association filed a complaint for unfair labor practice with the Court of Industrial Relations making as respondents L. C. Eugenio & Company, the Republic Theater Enterprises and the Majestic Theater, Inc. And while an attempt was made to include the new owner Goodwill Trading Company, Inc. and the new operator Rema, Inc. as respondents the attempt failed because the industrial court ruled that they were not responsible and so an amended complaint had to be filed excluding therefrom the two corporations.

After trial, the industrial court dismissed the complaint holding that respondents were not guilty of unfair labor practice. However, it ordered Leonardo C. Eugenio in his capacity as president and general manager of Republic Theater Enterprises and Majestic Theater, Inc. to pay to the complaining employees one-month separation pay pursuant to Republic Act No. 1052 and in line with the pledge he made at the time he effected the sale of the two theaters.

Upon motion for reconsideration, this decision was affirmed, but with the dissent of Judge Jose S. Bautista concurred in by Judge Baltazar M. Villanueva. The union interposed the present petition for review.

In reaching the conclusion that respondents were not guilty of unfair labor practice even if the sale and the termination of the contracts of lease of the two theaters had the effect of locking out the employees of petitioning union, the Court of Industrial Relations made the following comment: (1) there is no law prohibiting the owner of a business or factory to sell or transfer it without taking care of his employees, nor is there any law which requires the new owner or purchaser to recognize as his employees those who served under the former owner; (2) the suspension of the operation of the business for legitimate reason is permissible and legal and there is no legal impediment for a person to close his business when it becomes impossible for him to continue; (3) because the transactions are evidenced by genuine documents it would be highly farfetched to conclude that the parties to said transactions simply intended to break up the organization of the theaters' employees thereby interfering with the exercise of their right to self-organization; and (4) although the collective bargaining agreement with the petitioning union had not yet expired at the time the respondent corporations stopped or relinquished the operation of the business such act does not make them guilty of any kind of unfair labor practice.

While it may be conceded that the sale of the theaters and the termination of their lease to respondent corporations, or their subsequent lease by the new owner to Rema, Inc. were not fictitious because the evidence to that effect is not clear, however, there is in the record a chain of circumstances which would indicate to an impartial mind that said transactions are suspicious and were not made in good faith. These circumstances are:

(1) The collective bargaining agreement entered into between the union and the lessees-corporations was executed on February 16, 1955, retroactive to January 16, 1955, to last for two years, or until December 31, 1956, and among the conditions therein expressly stipulated are that during the effectivity of the agreement the union will not declare a strike while the lessees will not lockout their employees, and that both the employees and the lessees would use their influence and sincere efforts to observe the spirit as well as the letter of their agreement. The lessees even bound themselves during said period not to enter into any agreement, nor make any arrangement, with any person or entity that may have the effect of offsetting it. Yet, hardly had said agreement been entered into, or barely three months thereafter, L. C. Eugenio & Company, owner of the theaters, sold them and the lessees readily agreed to terminate their lease over them.

(2) The sale of the two theaters to Goodwill Trading Company, Inc. and the termination of the lease over them on the part of the respondent corporations Republic Theater Enterprises and Majestic Theater, Inc. were made in

secrecy or at the back of the employees of the lessees who were taken by surprise when immediately thereafter they were informed that their employment has come to an end. These transactions were even hurriedly made for, as the record shows, the buying company had to amend its articles of incorporation even after the sale by incorporating therein a proviso that it could engage in movie business, which amendment was approved by the Securities and Exchange Commission over the opposition of the complaining union, and the theaters were speedily leased to an entity which at the time was still non-existent so much so that its incorporation papers were approved only four days after the execution of the lease contract.

Considering that the former owner of the theaters as well as the two leasing corporations were then under the control and supervision of Leonardo C. Eugenio, who was practically their owner, there is every reason to believe that the sale as well as the termination of the original lease were but mere strategem to avoid their commitment under the collective bargaining agreement which resulted in the lockout of the employees and the breaking up of their union. No other conclusion can be drawn considering the readiness with which the two lessees-corporations agreed and consented to the termination of their contracts of lease. Verily, said transactions constitute a flagrant violation of the commitments of respondents-lessees under the collective bargaining agreement.

It should be borne in mind that under the new Civil Code "The relations between capital and labor are not merely contractual. They are so impressed with public interest that labor contracts must yield to the common good." Such contracts are subject to special laws on labor unions, collective bargaining, strikes and lockouts.[1] Evidently, the transfer of the theaters to a new owner in utter disregard of the collective bargaining agreement is a direct thrust against the letter and spirit underlying the relation of capital and labor.

Moreover, Section 13, of Republic Act 875, provides that when there is a collective bargaining agreement for a definite period neither party shall terminate or modify such agreement unless a written notice is served upon the other party of the proposed termination at least 30 days prior to the expiry date of the agreement and, in any event, the agreement is to continue in full force and effect with regard to its terms and conditions during the entire period of 30 days. Here no such notice was given. Rather, immediately after the sale and the new lease, the employees were immediately notified that their relationship has terminated, thereby forcing the employees to go to the industrial court for the redress of their grievance.

Wherefore, the decision appealed from is reversed. This Court finds that respondent corporations L. C. Eugenio & Company, Republic Theater Enterprises and Majestic Theater, Inc. are guilty of unfair labor practice under Section 4 of Republic Act 875, and hereby orders them, jointly and severally, to pay to their employees who were locked out as a result of the transfer their back wages corresponding to the remaining period of their collective bargaining agreement, without prejudice to whatever other action they may deem proper to take in the premises, with costs against respondents, other than the Court of Industrial Relations.

Bengzon, C. J., Padilla, Concepcion, Reyes, J. B. L. Barrera, Paredes, Dizon, and De Leon JJ., concur.

[1]Article 1700, new Civil Code.

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