

CALTEX (PHILIPPINES) INC., PLAINTIFF AND APPELLANT, VS. KATIPUNAN LABOR UNION, DEFENDANT AND APPELLEE.

G.R. No. 13918. April 25, 1962

Ponente: BAUTISTA ANGELO, J.

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BAUTISTA ANGELO, J.:

On March 13, 1950, the members of the Katipunan Labor Union employed in Caltex (Philippines) Inc. declared a strike against the offices of the latter in the province of Cebu which was referred, to the Court of Industrial Relations for appropriate action. The case was docketed as Case No. 430-V. Through the mediation of its presiding Judge Arsenio Roldan, the case, after a series of conferences, was amicably settled, the parties reaching a compromise agreement.

The important terms of the agreement are: (1) both parties agree that during the pendency of the case there shall be no dismissal, suspension or lay-off without permission or authority of the court; (2) after the termination of the case, prior to any dismissal, lay-off or suspension, the company shall give the union an opportunity to be heard, giving it three days notice; (3) during the pendency of the case, a laborer may be suspended, but if exonerated he shall be reinstated with back pay; and (4) if a laborer is found committing a crime, the company can suspend him immediately, but if found not guilty he shall be reinstated with back pay.

The above amicable settlement was reduced to writing and signed by both parties and having been submitted to the Court of Industrial Relations it was approved on July 28, 1950.

On July 29, 1955, the company filed a notice with the industrial court informing it that it was terminating the effectiveness of the order approving the agreement pursuant to Section 17 of Commonwealth Act No. 103, as amended.

On August 11, 1955, the union filed a petition with the Court of Industrial Relations praying for the reinstatement of its president Avelino Morales who was dismissed without investigation in violation of the compromise agreement, which petition was tacked as an incident of the previous case and docketed as Case No. 430-V (2). The company filed a motion to dismiss on the ground that since the main case was already terminated and there was no other dispute between plaintiff and defendant pending before the Court of Industrial Relations, said court had no jurisdiction to entertain the incidental petition for reinstatement. The court upheld the motion and dismissed the petition for lack of jurisdiction.

The union took the matter to the Supreme Court on a petition for review which, on May 20, 1957, rendered decision holding that the amicable settlement reached by plaintiff and defendant was in the nature of a contract which under the Civil Code has the force of law between the parties, which means that "neither party may unilaterally and upon his own exclusive volition escape his obligations under the contract, unless the other party has assented thereto, or unless for causes sufficient in law and pronounced adequate by a competent tribunal." As a consequence, it set aside the order of dismissal of the Court of Industrial Relations.

Subsequently, or on February 10, 1958, based on the allegation that a mutual mistake has been committed by the parties as to the legal effect of the settlement of their dispute in the main case because their purpose was not exactly to enter into a contract but merely a settlement terminable pursuant to Section 17 of Commonwealth Act No. 103, the company commenced the present action before the Court of First Instance of Manila seeking to annul the contract on the ground that its consent thereto has been violated vitiated by mistake.

Defendant union moved to dismiss the complaint on the ground of lack of jurisdiction in that it involves a matter that comes under the exclusive jurisdiction of the Court of Industrial Relations. It contended that the compromise settlement which the company now tries to nullify was upheld by the Supreme Court on appeal taken by the union wherein it declared the same valid, binding and subsisting between the parties and that because of that decision the present case should be deemed barred under the principle of *res judicata*. This motion having been upheld, the company interposed the present appeal.

The lower court, in refusing to take cognizance of the present case, made the following comment:

"It appearing from the above ruling and directive of the Supreme Court that the contract, which plaintiff now seeks to be invalidated, is binding and effective; that the Court of Industrial Relations could entertain complaints for its violation, and that the Court of Industrial Relations should give due course to the petition filed with the latter court by herein defendant on August 11, 1955, pursuant to the said contract—it follows that the Court of Industrial Relations has jurisdiction to hear CIR Case No. 430-V (2), and this Court, out of deference to the said decision of the Supreme Court, cannot take cognizance of plaintiff's complaint, lest in so doing, its action on the present case might conflict with, or frustrate, the aforesaid ruling and directive of the Supreme Court."

We find no error in the foregoing comment. It should be recalled that the present case stems from an incident that arose between the company and the union relative to a compromise agreement which was entered into between them and approved by the Court of Industrial Relations in Case No. 430-V. In that agreement it was stipulated, among other things, that pending the termination of the main case the company will not dismiss, lay-off or suspend any employee without giving the union an opportunity to be heard or without permission from the court. Then the company dismissed from the service the president of the union Avelino Morales without notice or investigation in violation of the agreement and so it filed in the same case a petition for his reinstatement, and when this petition was dismissed because of the contention that the compromise agreement was already unilaterally terminated, the union took the case to the Supreme Court which rendered a revocatory decision and remanded the case to the industrial court for further proceedings. But instead of raising therein the issue that said agreement cannot be enforced because the consent thereto of the company is vitiated by mistake, it chose to file the present action. It is, therefore, a matter that comes under the exclusive jurisdiction of the Court of Industrial Relations. In the same manner that the company could ask for its termination because the period of three years has already expired pursuant to law, it could likewise seek the same purpose by advancing the theory that the agreement is ineffective because its consent thereto is vitiated by mistake. If said court could approve it, it could also nullify it on a good, valid and legal ground. There was therefore no need for the company to bring the matter to a regular court for relief.

At any rate, the mistake invoked by the company is one of law and not of fact which cannot be a ground for nullification. It is a matter that concerns an interpretation of the nature of the award in the light of Section 17 of Commonwealth Act No. 103. On this point it is well to recall that this Court has already interpreted the scope of the privilege that the above provision gives to the company relative to the termination of an award in the sense that while that privilege is given it can however only be exercised after due notice to the other party. From the import of our decision it may be inferred that whether the award partakes of the nature of a contract or otherwise notice to the other party is necessary before effective action thereon can be taken. The absence of such notice will

nullify the decision.

Thus, in *National Waterworks and Sewerage Authority vs. Court of Industrial Relations*, 107 Phil., 79; 57 Off. Gaz. [19] 3517, this Court held:

"* * * Since an award is made as a result of a controversy and is binding upon both parties, it would appear logical that its effectivity cannot be terminated ex parte unless the period of its duration is specified therein. The reason is obvious: since the award is made in favor of the employee, it is but fair and just that he be heard before his right thereto is terminated, otherwise the employer might act arbitrarily or to his prejudice. That is why the law requires that notice of termination be given to the court. This requirement is not merely pro forma. This is to give the court the right to intervene in order that the interest of labor may not be jeopardized."

Wherefore, the order appealed from is affirmed, with costs against appellant.

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

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