

**PHILBAG INDUSTRIAL MANUFACTURING CORPORATION,
PETITIONER, VS. PHILBAG WORKERS UNION-LAKAS AT GABAY NG
MANGGAGAWANG NAGKAKAISA, RESPONDENT.**

G.R. No. 182486. June 20, 2012

Ponente: BRION, J.

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BRION, J.:

This is a petition for review on certiorari[1] seeking the reversal of the decision dated April 25, 2007[2] and the resolution dated April 11, 2008[3] of the Court of Appeals (CA) in CA-G.R. SP No. 86849.

The Antecedents

Edwin Mauricio and Zharralyn Camacho were employees of the petitioner, Philbag Industrial Manufacturing Corporation (company), until their dismissal in the second half of 2004. They worked as cutter and circular loom operator, respectively. They were members of the respondent, Philbag Workers Union-Lakas at Gabay ng Manggagawang Nagkakaisa (union), the exclusive bargaining representative of the company's rank-and-file employees. The union had a collective bargaining agreement (CBA) with the company.

Mauricio and Camacho protested their dismissal, prompting the union and the company to convene the CBA's grievance machinery in an effort to resolve the matter at plant level. Unable to reach a settlement, they agreed to have the dispute resolved through voluntary arbitration. In a submission agreement,[4] they asked Voluntary Arbitrator (VA) Angel L. Ancheta to resolve the dispute. The union, through its President, Danilo Cañete, represented Mauricio and Camacho.

The Voluntary Arbitration Proceedings

Mauricio

The union alleged before VA Ancheta that Mauricio's dismissal arose from a scheme devised by the company's cutters to make their work easier. It involved unwinding the textile from the rolled bulk before they work on it, the length of the material to be determined by the cutter concerned. The cutters take turns in unwinding the textile from the roll.

Allegedly, on May 24, 2004, at around 5:00 a.m., Mauricio was at his turn unwinding the textile from the roll. At a distance, Anneliza Reinoso, the cutting supervisor, saw that Mauricio was not cutting the textile. She then concluded that Mauricio was not doing his job. Reinoso reported the incident to management on June 28, 2004.[5]

On May 26, 2004, Mauricio received a memorandum from management[6] directing him to explain in writing why he should not be dismissed for violating Section 3 of the company rules and regulations.[7] Section 3 states that commission of any of the offenses listed thereunder shall be given three demerit points. Offense no. 5 in the list involves "[i]dling or wasting company working hours or loitering on company time. Dressing up, washing up, or wasting time after punching in or before punching out." [8]

In a written statement dated May 26, 2004,[9] Mauricio denied that he committed the violation charged. He explained that he was doing his job on May 24, 2004. Nonetheless, he was given three demerit points, which if added to the demerit points he had earlier incurred would amount to a total of twelve (12) demerit points within a twelve-month period; the totality, the company claimed, sufficed to warrant his dismissal under the rules.[10] The company explained that Mauricio incurred nine demerit points for unauthorized absence and insubordination from September 10, 2003 to April 7, 2004.

Mauricio was dismissed on July 3, 2004. The union questioned the dismissal, contending that Reinoso's report was without basis.

Camacho

The company terminated Camacho's employment on June 26, 2004 for violation of company rules, as follows:[11]

Section A, Rule # 1 - Absence without official leave (AWOL) for not more than two (2) consecutive days (equivalent to 2 demerit points each)

- AWOL [on] February 16, 2004 (Memo dated February 23, 2004)

Section E, Rule # 1 - Absence without official leave (AWOL) for six (6) or more consecutive days (equivalent to 12 demerit points each)

- AWOL [on] March 15 - 21, 2004 (Memo dated May 11, 2004)[.]

Concentrating on the second heavier charge, the union alleged that Camacho suffered from abdominal pain and slight bleeding on March 3, 2004, compelling her to go to Clinica Marquez[12] in Caloocan City for a medical check-up. She was advised to have a complete rest from March 3 to 14, 2004, for which she went on leave. Her medical certificate from Clinica Marquez was countersigned by the company doctor.

On March 15, 2004, Camacho went back to Clinica Marquez for a consultation as she continued to suffer from spot bleeding. Dr. Consuelo Marquez, her attending physician, diagnosed her condition as threatened abortion and advised her to rest for another twenty (20) days.[13]

On March 18, 2004, Camacho requested her aunt, Gloria Maquiling, to report her condition to the company and to present her medical certificate for countersignature of the company nurse and doctor. The two refused as they wanted to see Camacho first. Four days later, or on March 22, 2004, Camacho called up the company and talked with the personnel manager, Chona Beth Nieto. She apologized for her failure to personally notify the company about the additional 20-day rest period Dr. Marquez advised her to take. She assured Nieto that she would present the medical certificate when she returned to work. On April 5, 2004, she was again advised by Dr. Marquez to take a bed rest for another month, due to her vaginal bleeding.[14] Dr. Marquez certified that Camacho was fit to work effective May 11, 2004.[15]

In a memo dated May 11, 2004,[16] the company directed Camacho to explain why she should not be dismissed for violating Section E, Rule 1 of the company rules on absence without official leave for six or more consecutive days. She replied that because of her illness, she forgot to have her medical certificate countersigned by the company doctor.[17]

Through another memo dated May 17, 2004,[18] the company informed Camacho that she had already incurred fourteen (14) demerit points for her AWOL on February 16, 2004 (two demerit points) and her AWOL from March 15 to 21, 2004 (12 demerit points), which warranted her dismissal from the service. On June 21, 2004, the company served Camacho a termination letter.[19]

Camacho accused the company of bad faith, contending that she incurred her absences upon the advice of Dr. Marquez for her to take pregnancy rests.

To avoid liability, the company maintained that both Mauricio and Camacho violated company rules on employee discipline, thereby incurring demerit points that justified their separation from the service. It pointed out that Mauricio was observed idling and wasting company time for two hours on May 24, 2004 as reported by Reinoso who witnessed the incident. With respect to Camacho, the company stressed that she failed (1) to follow the procedure in taking a leave of absence (filing the required form) or getting permission from or notifying management that she could not report for work from March 15 to 21, 2004 and (2) to have her medical certificate countersigned by the company doctor.

The company further alleged that on May 11, 2004, Camacho reported for work and presented a medical certificate (dated March 15, 2004) to be countersigned by the company doctor. The doctor refused to countersign the certificate because it was past Camacho's sickness period of March 15 to 21, 2004. It argued that it conducted an investigation on March 22, 2004 where she admitted her failure to inform the company about her absences.

The Voluntary Arbitration Decision

In his decision of September 15, 2004,[20] VA Ancheta declared Mauricio and Camacho's dismissal valid. However, in view of their length of service to the company and for humanitarian consideration, he awarded them financial assistance: P20,000.00 to Mauricio and P15,000.00 to Camacho.

With the ruling, VA Ancheta upheld the company's prerogative to impose disciplinary action on its employees who violate company rules and regulations. The union sought relief from the CA through a petition for review under Rule 43 of the Rules of Court, contending that VA Ancheta committed grave abuse of discretion for his failure to appreciate the facts of the case and to apply existing law and jurisprudence.

The CA Decision

On April 25, 2007,[21] the CA granted the petition and reversed VA Ancheta's ruling. It found "no plausible reason for [the company] to [impose] demerit points on Mauricio and Camacho as a result of the subject incidents. Accordingly, they should not be considered as having accumulated twelve (12) demerit points, respectively[,] which would justify their dismissal from [the] service." [22]

In Mauricio's case, the CA found Reinoso's report not credible despite the company's insistence that she could not have fabricated the report. It noted two elements in the report which made it dubious: (1) it was dated June 28, 2004 or more than a month after the incident transpired; and (2) it did not state when the incident allegedly happened.

The CA wondered why Reinoso reported the incident one month after its occurrence. It asked how the company can make an intelligent investigation when Reinoso did not even mention the date when the incident occurred. If Mauricio and four of his co-employees stopped working for two hours why did Reinoso not do anything about it? In view of these lapses, the CA considered Reinoso's report a mere afterthought. It concluded that the company failed to prove its allegation that Mauricio violated Section B(5) of its rules and regulations.

With respect to Camacho, the CA acknowledged that indeed, she did not report for work from March 15 to 21, 2004 (7 days), without filing a leave of absence. It was not convinced, however, that she deliberately disregarded the company rules on the matter.

The CA thus ruled that Mauricio and Camacho were illegally dismissed. Accordingly, it ordered the company to pay them backwages and separation pay as it considered reinstatement to be no longer viable due to the passage of

time. The company moved for reconsideration, reiterating essentially the same arguments it raised before the CA and, additionally, contending that the case has become academic since it had already ceased operations due to serious business losses. The CA denied the motion. It rejected the company's business closure defense, holding that Mauricio's and Camacho's monetary awards could still be pursued during liquidation, pursuant to Section 122 of the Corporation Code. More importantly, it reminded the company that the two employees were dismissed without just cause and, therefore, not covered by Article 283 of the Labor Code under which, an employer who closes its business due to serious financial losses is not required to grant separation pay to the dismissed employees.

The Parties' Positions

The Company

Aside from the petition itself,[23] the company submitted a comment (to the union's reply)[24] and a memorandum.[25]

It prays for the nullification of the CA rulings on the grounds that: (1) the CA had no jurisdiction over the petition for review as it was filed beyond the ten-day reglementary period; (2) the CA committed a misapprehension of the facts and the evidence; and (3) the CA erred in directing the payment of backwages and separation pay.

On its first assignment of error, the company argues that the CA should not have taken cognizance of the appeal for lack of jurisdiction. It contends that under Article 262-A of the Labor Code, the award or decision of the voluntary arbitrator or panel of voluntary arbitrators shall be final and executory after 10 calendar days from receipt of the copy of the award or decision by the parties.

The company points out that as alleged by the union in its petition with the CA, it received a copy of VA Ancheta's decision on September 24, 2004.[26] The union, the company argues, had only until October 4, 2004 to file the petition, not until October 9, 2004.[27] It stressed that as the appeal was filed late, VA Ancheta's decision had attained finality, removing the case from the CA's jurisdiction. It posits that the reglementary period that should govern in this case is the 10-day period under the Labor Code and not the 15-day period under Section 4, Rule 43 of the Rules of Court.

On the dismissal of Mauricio and Camacho, the company reiterates essentially the same arguments it presented to the CA on why it had to terminate their employment. With respect especially to Camacho, it insists that her going on absence without official leave (AWOL) from March 15 to 21, 2004, her latest infraction, justified her dismissal. It explains that by such unauthorized absence, Camacho incurred 12 demerit points, bringing her total within a twelve-month period to 14 demerit points which exceeded the limit provided in the company rules.[28] She had been on AWOL earlier, or on February 16, 2004.

Lastly, the company faults the CA for awarding backwages to Mauricio and Camacho (from the date the wages were withheld up to the finality of the CA decision), as well as separation pay. It considers the award erroneous because it ceased operations on December 6, 2006. It maintains that in view of the cessation of its business operations, the backwages must necessarily be limited to the date of its closure. It likewise questions the separation pay award as the cessation of its operations was due to serious financial losses, a situation where it is not required to give its employees separation pay under Article 283 of the Labor Code.

Mauricio and Camacho

Mauricio and Camacho, through the union comment[29] and memorandum,[30] ask that the company's appeal be dismissed for lack of merit, with the following arguments:

First. The reglementary period for the filing of a petition for review of the decision of the voluntary arbitrator is 15 days from receipt of the denial of the petitioner's motion for reconsideration, pursuant to Rule 43 of the Rules of Court, not 10 days from receipt of the voluntary arbitrator's decision under the Labor Code. As admitted by the company itself, it filed the petition within the 15-day period. In any event, the company is estopped from raising the issue as it failed to raise it before the CA.

Second. The CA committed no reversible error in declaring Mauricio and Camacho's dismissal illegal. In Mauricio's case, it is not true that he was idling or wasting company time in the morning of May 24, 2004. He was unwinding the textile from the roll and so it was but natural that Reinoso did not see him cutting the textile; also, she did not even come near the work area. At any rate, Reinoso did not call his attention or reprimand him about the matter if indeed, she actually saw him idling or wasting company time on the day in question.

With respect to Camacho, there is likewise no truth to the company's allegation that she merely asked her aunt, Maquiling, to call the company about her (Camacho's) absence from March 15 to 21, 2004. When her aunt called, she had with her Camacho's medical certificate to be countersigned by the company nurse and doctor, but they refused. Camacho then informed, by phone, the company's personnel manager on March 22, 2004 that she would present her medical certificate upon her return to work.

Third. Mauricio and Camacho, having been illegally dismissed, are entitled to reinstatement with full backwages. Reinstatement and backwages are separate and distinct from each other. Since the company is no longer in operation, however, they are amenable to the payment of separation pay in addition to the payment of backwages.

The Court's Ruling

The Procedural Issue

The company's argument that the CA had no jurisdiction over the case has no leg to stand on. It had already raised the issue with the CA, although based on a different legal premise. In its comment on the petition of the union[31] before the CA, the company prayed that the petition be dismissed for late filing (which would result in making VA Ancheta's decision final and executory) by reason of the union's failure to file it within the 15-day period under Rule 43 of the Rules of Court.[32] Parenthetically, it also asked that the petition be dismissed for lack of merit. The CA granted the petition, without resolving the procedural issues. The company then moved for reconsideration,[33] without questioning the non-resolution of the procedural issues it raised, especially the petition's late filing, in effect submitting to the CA's jurisdiction. The CA declared:

x x x x

We note that Philbag in their Comment pointed out several procedural lapses on the part of the Union which would warrant the dismissal of the petition. However, in the Memorandum which it subsequently filed, Philbag made no mention of said procedural lapses. This evidently constitutes as a waiver on its part and consequently, We need not rule on the same.[34]

In light of what transpired in the CA, the company cannot now be heard repudiating the CA's authority to resolve the case. In *Marquez v. Secretary of Labor*,[35] the Court said:

[A]fter voluntarily submitting a cause and encountering an adverse decision on the merits, it is too late for the loser to question the jurisdiction or power of the court x x x. [I]t is not right for a party who has affirmed and invoked the jurisdiction of a court in a particular matter to secure an affirmative relief, to afterwards deny that same jurisdiction to escape a penalty.

x x x x

[W]hile the rule has been applied to estop the plaintiff from raising the issue of jurisdiction, it has likewise been applied to the defendant and more specifically, to the x x x employer in a labor case. The active participation of the party against whom the action was brought, coupled with his failure to object to the jurisdiction of the court or quasi-judicial body where the action is pending, is tantamount to an invocation of that jurisdiction and a willingness to abide by the resolution of the case and will bar said party from later on impugning the court or body's jurisdiction [underscoring ours].

The Merits of the Case

Under the law, the burden of proving that the termination of employment was for a valid or authorized cause rests on the employer.[36] Failure to discharge this burden would result in an unjust or illegal dismissal,[37] as aptly pointed out by the CA. We find such a failure on the part of the employer in this case.

In Mauricio's case, the company's submissions fall short of establishing that he was indeed not doing his job as cutter on May 24, 2004, together with four other employees. He was, as he claimed (through his union), unwinding textile from the rolled bulk before cutting it. The cutters devised this "unwind-and-cut" method to make their work easier. The union's claim on the matter had never been disputed by the company.

Early on the day in question, Reinoso, the company's cutting supervisor, allegedly saw from a distance that Mauricio and four other employees were not cutting the textile and, therefore, not doing their jobs. Reinoso submitted an incident report to the company on June 28, 2004, more than a month after the alleged incident. On July 3, 2004, the company dismissed Mauricio after giving him three demerit points for violating Section B(5) of the company rules and regulations on "idling or wasting company working hours,"[38] which if added to the demerit points he incurred for past infractions would total 12 demerits points, within a twelve-month period, enough to warrant his dismissal.[39] The CA refused to give credit to Reinoso's report, dismissing it as a "mere afterthought,"[40] on grounds earlier mentioned.

We share the CA's reservations on Mauricio's dismissal. The company's evidence on his alleged infraction does not substantially show that he violated company rules and regulations to warrant his dismissal. Reinoso's report on Mauricio not doing his job on May 24, 2004 came one month after the alleged incident, thus inviting the CA's suspicion on its veracity. Also, as the CA observed, why did Reinoso not confront Mauricio and the four others she caught idling, if they had indeed been not doing their work. It is surprising that she did not call their attention about the incident considering that she was their supervisor. Reinoso's delayed report casts doubt on the company's case against Mauricio. In *Sevillana v. I.T. (International) Corporation, et al.*,[41] the Court stressed that the evidence must be substantial and not arbitrary, and founded on clearly established facts to warrant a dismissal. The petition must fail with respect to Mauricio.

We have the same conclusion in relation to Camacho. Like Mauricio, the company terminated Camacho's employment for having incurred more than the allowed demerit points to remain in the service. The company rules and regulations did not define the "demerits" system of employee discipline, but after a reading of the document,[42] we gather that an employee is meted demerit points for committing any of the offenses listed under GROUNDS FOR ADMINISTRATIVE DISCIPLINARY ACTION, Sections A, B, C, D and E of the company rules and regulations.

As the records show, the company charged Camacho of having been on AWOL from March 15-21, 2004 (7 days). It refused to recognize the medical certificate presented by Camacho for the period as it was not countersigned by the company doctor. She was thus meted 12 demerit points, enough to warrant her dismissal under Section E above, item 1 of which provides that being on AWOL for six or more consecutive days shall be given 12 demerit points. Under the title DISCIPLINARY ACTION of the company, any employee who has been given 12 demerit

points under Section E, or a total of 12 demerit points under Sections A to D, within a 12-month period, shall be separated from the service. The company factored in Camacho's earlier AWOL infraction (February 16, 2004) for two days (two demerit points) to make her demerit points add up to 14, two more than the limit.

There is no dispute that Camacho was absent from work from March 5 to 21, 2004. But as the CA correctly pointed out, the circumstances surrounding her absence did not justify her separation from the service. We quote with approval the following excerpt from the CA ruling:

A judicious evaluation of the facts shows that Camacho did not deliberately disregard the company rules. She did comply with the said policy although "quite belatedly." Nonetheless, We do not find any valid reason for the company doctor to refuse to countersign the subject medical certificate since it was properly signed by the physician of Camacho and bears all the earmarks of regularity in its issuance and hence, is entitled to full probative value. Besides, said company doctor could have easily verified the facts stated therein. In fact, Camacho had been absent from 3 to 14 of March 2004 due to abdominal pain and slight bleeding and the medical certificate covering the said period was duly countersigned by the company doctor. The same is true with the Medical Certificate dated 5 April 2004 which advised Camacho to rest for a month due to threatened abortion. Thus, Camacho's records would reveal that indeed she was suffering from threatened abortion and that she had a valid reason to absent herself for 20 days starting from 15 March 2004.

Moreover, it is interesting to note that Philbag did not include the period from 22 March to 4 April 2004. Obviously, this is because it had already received information through a telephone call that Camacho was sick. If Philbag can give credence to a telephone call then why cannot it accept a medical certificate which only lacks a countersignature?[43]

It is obvious that the company overstepped the bounds of its management prerogative in the dismissal of Mauricio and Camacho. It lost sight of the principle that management prerogative must be exercised in good faith and with due regard to the rights of the workers in the spirit of fairness and with justice in mind.[44]

In sum, we find Mauricio and Camacho's dismissal without a valid cause and, therefore, illegal.

WHEREFORE, premises considered, the petition is DENIED for lack of merit. The assailed decision and resolution of the Court of Appeals are AFFIRMED in toto.

Costs against Philbag Industrial Manufacturing Corporation.

SO ORDERED.

Carpio, (Chairperson), Perez, Sereno, and Reyes, JJ., concur.

[1] Rollo, pp. 9-28; filed pursuant to Rule 45 of the Rules of Court.

[2] Id. at 34-44; penned by Associate Justice Japar B. Dimaampao, and concurred in by Associate Justices Renato C. Dacudao and Edgardo F. Sundiam.

[3] Id. at 46-48.

[4] Id. at 166; dated July 16, 2004.

[5] Id. at 135.

[6] Id. at 98.

[7] Id. at 121.

- [8] Ibid.
- [9] Id. at 106.
- [10] Id. at 124; section on DISCIPLINARY ACTION.
- [11] Id. at 133; Memo dated June 21, 2004.
- [12] Not Clinica Enriquez as cited by the Voluntary Arbitrator and the CA.
- [13] Rollo, p. 102; Medical Certificate issued by Dr. Marquez.
- [14] Id. at 103.
- [15] Id. at 126; Medical Certificate dated May 5, 2004.
- [16] Id. at 130.
- [17] Id. at 131.
- [18] Id. at 132.
- [19] Id. at 133.
- [20] Id. at 68-80.
- [21] Supra note 2.
- [22] Id. at 40.
- [23] Supra note 1.
- [24] Rollo, pp. 276-283; dated October 28, 2008.
- [25] Id. at 287-309; dated February 27, 2009.
- [26] Id. at 49.
- [27] Id. at 2.
- [28] Id. at 124; Company Rules and Regulations, DISCIPLINARY ACTION.
- [29] Id. at 252-265; dated August 28, 2008.
- [30] Id. at 311-324; dated March 5, 2009.
- [31] Id. at 152-164.
- [32] Id. at 155.
- [33] Supra note 2.
- [34] Id. at 39.
- [35] 253 Phil. 329, 335-336 (1989), citing *Tijam v. Sibonghanoy*, 131 Phil. 556 (1968).
- [36] LABOR CODE, Article 277(b).
- [37] *National Bookstore, Inc. v. Court of Appeals*, 428 Phil. 235, 243 (2002).
- [38] Supra note 8.

[39] Supra note 10.

[40] Supra note 2 at 40.

[41] 408 Phil. 570, 586 (2001).

[42] Rollo, pp. 119-125.

[43] Supra note 2 at 42.

[44] Unicorn Safety Glass, Inc. v. Basarte, 486 Phil. 493, 505 (2004).

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