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SUPREME COURT
EN BANC

PERFECTO FERRER, OSCAR FLORES, JULIAN AGUSTIN, FELICISIMO LICHUGA, PIO SUMAGIT and INHELDER LABORATORIES, INC. & SISTER COMPANIES EMPLOYEES UNION,

***Petitioners*,**

-versus-

G.R. Nos. L-24267-8
May 31, 1966

COURT OF INDUSTRIAL RELATIONS, INHELDER LABORATORIES INC., SAN ROQUE TRADING CORPORATION AND/OR HANS INHELDER, PRESIDENT AND GENERAL MANAGER,

***Respondents*.**

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D E C I S I O N

CONCEPCION, *J.*:

These are two (2) unfair labor practice cases commenced in the Court of Industrial Relations. One (L-24268) was filed by the Management of Inhelder Laboratories, Inc. and its sister companies (Inhelder Inc.

and San Roque Trading Corporation) against the Labor Union of employees thereof and some officers and members of the Union, and the other (L-24267) by the latter against the former. Being interrelated, the two cases were jointly heard. In due course, the trial Judge, Hon. Ansberto P. Paredes, rendered a decision dismissing the complaints in both cases. On motion for reconsideration filed by the Management, the Court of Industrial Relations en banc, in a resolution penned by Judge Emiliano C. Tabigne, and concurred "in the result" by Presiding Judge Arsenio I. Martinez and Associate Judge Amando C. Bugayong, and with, in effect, the dissent of Judge Paredes, reconsidered the latter's decision , insofar as it dismissed the complaint of the Management, and decreed that the officers and members of the Union who had participated in a peaceful strike staged by the latter from July 1 to July 15, 1963, "be considered to have lost their status as employees of the companies" aforementioned. Hence, this appeal by certiorari taken by the Union and its members adversely affected by the said resolution.

The main issue in this appeal is whether said strike was illegal or not. Respondents herein maintain that it was, because of petitioners' failure to give a 30-day notice of their intention to strike and because the strike had allegedly been called in bad faith. Upon the other hand, petitioners contend that it was not, for the reason that the strike was provoked by alleged unfair labor practices on the part of the respondents and because said petitioners had acted in good faith in staging said strike.

The records show that, immediately after an election held on March 27, 1963, in which Inhelder Laboratories, Inc. and Sister Companies Employees Union obtained the requisite majority, the Union submitted to the Management of said corporations a set of demands for a collective bargaining agreement (Exhibits A, A-1 and 3). This led to negotiations, held, sometimes, with the intervention of the Conciliation Division of the Bureau of Labor, and, sometimes, directly, between the representatives of the parties, without said intervention, and lasting for several weeks. As an agreement was reached on some points, the same were incorporated into a draft of agreement, which, in turn, became the basis for, or was followed by, further negotiations. As additional points of agreement were reached, another draft of agreement was prepared.

In a meeting held before said Conciliation Division, in the morning of May 29, 1963, another such draft (Exhibit C-1) was drawn, to which the Management refers as "final draft". However, petitioners' representatives pressed for the inclusion, in the agreement, of a union clause, an accumulated sick leave clause, and an accumulated vacation leave clause, apart from the increase of the high cost of living monthly allowance from P20.00 to P30.00, the creation of a grievance committee and a general salary increase. The negotiations continued in the afternoon of May 29, 1963, and were resumed in the morning of May 30 or 31, 1963, in the course of which, respondents contend, the Management agreed to increase the high cost of living allowance to P25.00, provided that the other demands were withdrawn, to which petitioners allegedly gave their conformity. Another draft of agreement (Exhibit D) — which the representative of Management, again, characterizes as "final" — was, accordingly, prepared, and the representatives of both parties initialed it, with the understanding, according to respondents, that the agreement would be signed on June 1, 1963. In the afternoon of May 31, 1963, petitioners' representative called, however, that of Management and asked for the inclusion in the agreement a union shop or union security clause. This request not having been granted, the Union later refused to sign to agreement.

The Court of Industrial Relations en banc was of the opinion that, inasmuch as the document last mentioned (Exhibit D) was a "final draft" of the agreement between the parties, and petitioners' representatives had initialed said draft, "the refusal of the Union to sign the final or clean form of the contract on June 1, 1963, its refusal to honor Exhibit D as a perfected contract and its insistence in negotiating the contract so recently after its perfection are constitutive of bad faith"; that the strike staged by the Union from July 1 to July 15, 1963, was illegal and those who took part in it are deemed separated from the service.

Upon the other hand, His Honor, the trial Judge, held otherwise, upon the ground that the surrounding circumstances were such that petitioners were reasonably justified in believing that the respondents' acts constituted unfair labor practices and that

petitioners had to strike forthwith in order to arrest the evil effects of said practices upon the Union and its members.

Upon a review of the record, we are inclined to agree with the latter view. That of the lower court en banc is mainly anchored on the fact that the draft of agreement made and amended in the morning of May 30 or 31, 1963 (Exhibit D), had been initialed by representatives of both parties and that the Management refers thereto as a "final draft". We note, however, that the draft Exhibit C-1, prepared in the morning of May 29, 1963, is, likewise, called by the Management as a "final" draft. Yet, admittedly, negotiations between the parties continued after the preparation of said "final" draft, thus indicating, not only, that the alleged finality thereof reflected, at best, the unilateral opinion of the Management, but, also, that even the latter did not consider it as expressive of a complete, definite and perfected agreement with the petitioners, for, otherwise, the Management would not have participated in the negotiations that took place or continued after the preparation of said Exhibit C-1.

These observations apply equally to the "draft" of agreement Exhibit D, prepared and amended in the afternoon of May 29 and the morning of May 30 or 31, 1963. Moreover, the fact that both parties affixed their initials to this "draft" Exhibit D does not necessarily prove that the same was more "final" than the "final draft" (Exhibit C-1) made in the morning of May 29, 1963. Indeed, if the parties had reached, said afternoon and in the morning of May 30 or 31, 1963. a complete agreement on the terms and conditions of their proposed collective bargaining agreement, they could have and would have signed Exhibit D that same morning, instead of agreeing that the document be formally signed on June 1, 1963. In fact, the agreement to this effect suggests that the parties understood that a contract had not, as yet, been perfected. As His Honor, the trial Judge, had aptly put it, Exhibit D was no more than a draft of contract, not a contract in itself.

At this juncture, it is well to remember that, on March 29, 1963, the petitioners had written to the management the letter Exhibit A (also marked as Exhibit 3) enclosing therewith a draft of the collective bargaining agreement (Exhibit A-1) they would wish to have the management, as the basis for negotiations between both parties; that

such negotiations lasted from late in March to early in July, 1963; that, as they threshed out their points of difference, those that had been settled were incorporated into another draft or agreement prepared by the management; that the latter was followed by further negotiations on other points; that, when an agreement was reached thereon, another draft incorporating said additional points was made; that when Exhibit D was prepared, several still pending settlement; that among these points were the matter of inclusion in the agreement of a union shop or union security clause, a vacation leave clause, and a sick leave clause, in addition to the increase of the high cost of living monthly allowance from P20.00 to P30.00, and the organization of a grievance committee; that, although in the afternoon of May 29, and the following morning or that of May 31, 1963, the management had agreed on the establishment of said committee and the increase of the high cost of living monthly allowance to P25.00, this did not imply that petitioners had given up their demand for a union shop or union security clause; and that, in the return-to- work agreement signed by both parties on July 15, 1963 (Exhibits 1 and 2), said clause was, in fact, included.

In other words, contrary to what is intimated in the resolution appealed from, it is not true that petitioner had made new demands, either on May 29 or on May 30 or 31, 1963. Indeed, the demand for a union shop or union security clause, which was the main bone of contention, had been included in the draft of agreement Exhibit A-1 enclosed with petitioners' letter of March 29, 1963. What happened, merely, was that the demands incorporated in said draft were discussed by both parties, one after the other; that an agreement on the former did not connote an abandonment of the latter; and that, after the settlement of one issue, it was understood that the others would be taken up thereafter.

It would appear, also, that, after the meeting with the representative of Management, in the morning of May 30, or 31, 1963, petitioners' representatives reported to the Union the contents of Exhibit D, and that, when the Union members learned that said document did not include the union shop or union security clause, they withdrew from their representatives the authority to sign, on their behalf, the collective bargaining agreement with the Management. Under these circumstances, said representatives could not validly sign said

agreement, and their refusal to do so is not and cannot be an act of bad faith.

Neither may the Union members be held to have acted in bad faith in so withdrawing said authority from their representatives, unless the clause aforementioned were included in the agreement. That clause was part of their original demands, as set forth in their draft of agreement Exhibit A-1, and their representatives could not waive it without their consent.

As a matter of fact, there is reason to believe that when petitioners' representatives did not sign on June 1, 1963 and subsequently thereto the draft of agreement Exhibit D, as amended and initialed on May 30 or 31, upon the ground that they had no authority to do so without the union shop or union, the Management suspected that this was a mere excuse put up by said representatives of petitioners herein. Hence, on June 7, 1963, the Management sent a memorandum (Exhibits 13 and I) to all of its employees, purporting to inform them of the status of the negotiations with their representative, and stating that the latter had refused to sign the draft of agreement Exhibit D — copies of which were made available to all employees — and instead "came out with a new 1 demand — 'Union Shop'" — upon the ground that such was the desire of the Union members, who had allegedly disauthorized the officers of the Union.

Soon thereafter — or from June 10 to June 15, 1963 — several members of the Union resigned therefrom irrevocably, effective on June 15, 1963, "in view of the apparent failure of our Union officers to enter into a working agreement with our employer for the purpose of improving our lot even in a small way." 2 Considering that this is false, for the Management had already yielded to the demand for an increase in the high cost of living allowance and the creation of a grievance committee; that these resignations took place immediately after the Management had dealt with the Union members directly, through the aforementioned memorandum; and that said resignations were conveyed in identically worded communications (Exhibits 6, 7, 8, 9, and 10), some of which were mimeographed, it was only natural for the petitioners to believe that said resignations had been inspired, if not exacted, by the Management, and that the latter had resorted thereto in order to exert pressured upon the Union

and compel the same to sign the draft of agreement (Exhibit D) without the union shop or union security clause. Hence, on June 13, 1963, petitioners filed a 30-day notice of strike (Exhibits 5 and E), upon the ground that respondents had been "bargaining in bad faith". However, the Management, in turn, filed unfair labor practice charges against the Union, for alleged refusal to bargain.

Meanwhile, and thereafter — or from June 10 to June 22, 1963 — the Management had transferred two (2) members of the Union, suspended a third one and assigned still another to a work less dignified than that which he did before. 3 So, on June 24, 1963, petitioners filed an unfair labor practice charge against the Management, for the suspension or demotion of union members due allegedly to union activities. On June 25, 1963, the Union gave another notice of strike upon the ground that the Management was engaged in unfair labor practices, by suspending, demoting, intimidating and coercing union members, on account of their union activities. Thereafter and in accordance with a strike from June 26, 1963, the Union staged a strike from July 1 to July 15, 1963, on which latter date the strike was called off in conformity with return-to-work agreements Exhibits 1 and 2, then signed by both parties.

Although the Management may have had the strict legal right to take against union members the disciplinary and other administrative measures above referred to, there is no denying the fact that the time chosen by the Management therefor, when considered in relation with the attending circumstances, reasonably justified the belief of the Union that the real or main purpose of the Management was to discourage membership in the Union, to discredit the officers thereof, to weaken the Union and to induce or compel the same to sign the draft of agreement Exhibit D as amended, on May 29 and 30 or 31, 1963. As stated in the decision of His Honor, the trial Judge, said belief was confirmed by the fact that prosecutors of the Court of Industrial Relations found sufficient grounds to file and did file, against the Management, a complaint for unfair labor practices.

In other words, both parties had performed acts which understandably induced each to believe that the other was guilty of such practices — although, as we now analyze the whole situation, without the excitement, the heat and the passion of the direct

participants in the labor dispute, at the peak thereof, such belief may not turn out to be borne out by the objective realities — and both were reasonably justified in taking the counter measures adopted by them. As a consequence, we hold that the strike in question had been called to off-set what petitioners were warranted in believing in good faith to be unfair labor practices on the part of Management, that petitioners were not bound, therefore, to wait for the expiration of thirty (30) days from notice of strike before staging the same, that said strike was not, accordingly, illegal and that the strikes had not thereby lost their status as employees of respondents herein. Upon the other hand, considering that the latter have been absolved from the charge of unfair labor practice, the reinstatement of the strikers must be without backpay.

WHEREFORE, the Resolution appealed from should be, as it is hereby modified accordingly, without special pronouncement as to costs. It is so ordered.

Bengzon, *C.J.*, Reyes, Barrera, Dizon, Regala, Zaldivar and Sanchez, *JJ.*, concur.
Makalintal and Bengzon, *JJ.*, took no part.

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[1] Which is not true, since this demand was included in the 4 original set of demands, submitted on March 29, 1963.
[2] Emphasis supplied.
[3] Messenger was assigned to wash dirty bottles in the salvage area.

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