

CHANROBLES PUBLISHING COMPANY

**SUPREME COURT
THIRD DIVISION**

**SOL LAGUIO, RENE LAOLAO,
ANNALIZA ENSANDO, EDELIZA ASAS,
LILIA MARAY, EVELYN UNTALAN,[*]
ROSARIO CHICO, REYNALDO
GARCIA, MERLITA DE LOS SANTOS,[*]
JOSEPHINE DERONG,[*] GEMMA
TIBALAO BANTOLO, LUCY
ALMONTE,[*] CRISPINA VANQUARDIA,
NARCISA VENZON, NORMA
ELEGANTE,[*] AMELIA MORENO,[*]
ABNER PETILOS, NARCISO HILAPO,
DOLORES OLAES, MELINDA LLADOC,
ERNA AZARCON, and APRIL TOY, INC.
WORKERS UNION - ALAB,**

Petitioners,

-versus-

**G.R. No. 108936
October 4, 1996**

**NATIONAL LABOR RELATIONS
COMMISSION, WELL WORLD TOYS,
INC., APRIL TOYS, INC., YU SHENG
LING, JENN L. WANG, EUCLIFF
CHENG, CHI SHENG LIN, MENTA C.
AGUIRRE, MA. THERESA R.
CADIENTE and GLICERIA R.
AGUIRRE,**

Respondents.

X-----X

RESOLUTION

FRANCISCO, J.:

Private respondent April Toy, Inc. (April for brevity) is a domestic corporation incorporated on January 6, 1989, for the purpose of “manufacturing, importing, exporting, buying, selling, sub-contracting or otherwise dealing in, at wholesale and retail,”^[1] stuffed toys, with principal place of business at Parañaque, Manila. On December 20, 1989, or after almost a year of operation, April posted a Memorandum^[2] within its premises and circulated a copy of the same among its employees informing them of its dire financial condition. To avert further business reverses, April decided to shorten its corporate term “up to February 28, 1990,”^[3] submitted a notice of dissolution to the Securities and Exchange Commission and published the same in a newspaper of general circulation.^[4] April also notified its employees, the Department of Labor and Employment,^[5] the Social Security System,^[6] the Board of Investments,^[7] the Bureau of Internal Revenue,^[8] and the Municipality of Parañaque of its dissolution.

In view of April’s cessation of operations, petitioners who initially composed of seventy-seven employees below filed a complaint for “illegal shutdown/retrenchment/dismissal and unfair labor practice.”^[9] On June 21, 1990, petitioners amended their complaint to implead private respondent Well World Toys, Inc. (Well World for brevity), a corporation also engaged in the manufacture of stuffed toys for export with principal office located at Las Piñas, Manila.

In their complaint, petitioners basically alleged that they were original probationary employees^[10] of Well World but were later laid off in 1989 “for starting to organize themselves into a union.”^[11] They applied with and were thereafter hired by April. On February 2, 1990, and while under the employ of April, petitioners conducted a certification election where their union, Alyansang Likha ng mga Anak ng Bayan (ALAB), won as the exclusive bargaining agent for the workers. Petitioners thereafter submitted a Collective Bargaining

Agreement proposal which April rejected in view of its cessation of operation. The closure, petitioners declared, is April's clever ploy to "defeat their right to self organization."^[12] Petitioners further alleged that the original incorporators and principal officers of April were likewise the original incorporators of Well World, thus both corporations should be treated as one corporation liable for their claims. In his decision dated December 20, 1991, the Labor Arbiter found as valid the closure of April, and treated April and Well World as two distinct corporations. While the seventy-seven complainants were ruled to be the employees of April, the Labor Arbiter, nevertheless, ordered Well World to give financial assistance to its former forty-nine probationary employees who were found to have been laid off in 1989 due to business losses. April was likewise ordered to pay its separated employees their separation pay and, together with Well World, assessed for attorney's fees. Petitioners appealed before the National Labor Relations Commission (NLRC), but to no avail. Hence, this petition, supported by the Office of the Solicitor General, anchored solely on the NLRC's purported grave abuse of discretion in not finding April and Well World as one corporation liable for their grievances.

To bolster their claim that April and Well World are one and the same corporation, petitioners argue that both corporations have the same set of incorporators. Thus:

Incorporators of Well World			Incorporators of April		
<u>Name</u>	<u>Citizenship</u>	<u>No. of Shares</u>	<u>Name</u>	<u>Citizenship</u>	<u>No. of Shares</u>
Eucliff Cheng	Filipino	148	Menta C. Aguirre	Filipino	2,797
Jenn Li Wang	Chinese	25	Ma. Theresa Cadiente	Filipino	800
Yu-Sheng Ling	Chinese	25	Glicería R. Aguirre	Filipino	400
Chia-Sheng Lin	Chinese	25	Pacifico R. Cadiente	Filipino	1
Chia-Yu-Yen Lin	Chinese	25	Emalyn A. Fernandez	Filipino	1
Ma. Theresa Cadiente	Filipino	1	Erlinda M. Hizon	Filipino	1
Glicería Aguirre	Filipino	1			
		250			4,000

(Petition, pp. 4-5; Rollo, pp. 5-6; Memorandum, pp. 7-8, Rollo, 242-243.)

Petitioners also insist that the two corporations “are being managed by Mr. Jean Li Wang”^[13] and that their articles of incorporation, general information sheets and certificates of increase of capital stock were notarized by the same Notary Public. Additionally, petitioners aver that when some of them transferred from Well World to April they were not given their separation pay, a factor which presumably proves that April is a mere conduit of Well World. Petitioners likewise assert that their transfer from one corporation to another was made at the time that they were on the process of organizing a union. Finally, petitioners allege that April and Well World were engaged in the same line of business, with the latter also supplying the former raw materials and machineries. These circumstances, petitioners claim, make their case akin to the case of La Campana Coffee Factory Inc. vs. Kaisahan ng mga Manggagawa sa La Campana (KKM), 93 Phil. 160, where the Court considered two corporations, i.e., La Campana Coffee Factory, Inc. and La Campana Gaugau Packing, as one and the same. We are not persuaded.

A cursory examination of the composition of April and Well World’s incorporators and the number of shares they own hardly supports petitioners’ asseveration. In fact, petitioners’ allegation that both corporations were managed by a single individual, Mr. Jen Li Weng, contradicts paragraphs 7 and 8 of their petition which state:

- “7. Respondents Yu-Sheng Ling, Jen Li Weng (Alias James Wang), Eucliff Cheng and Chia Sheng Lin are the President, Managing Director, Treasurer and Secretary respectively of respondent Well World Toy, Inc., all of whom are holding office at 399-B Real St., Talon, Las Piñas, Metro Manila.
- “8. Respondents Menta C. Aguirre, Ma. Theresa R. Cadiente and Gliceria R. Aguirre are the President, Treasurer and Secretary, respectively of respondent April Toy, Inc. all of whom are holding office at No. 6-C Ascie Avenue, Severina Industrial Estate, Km. 16 South Superhighway Parañaque.”^[14]

What clearly appears therefrom is that the two corporations have two different set of officers managing their respective affairs in two separate offices.

It is basic that a corporation is invested by law with a personality separate and distinct from those of the persons composing it as well as from that of any other legal entity to which it may be related. Mere substantial identity of the incorporators of the two corporations does not necessarily imply fraud,^[15] nor warrant the piercing of the veil of corporate fiction. In the absence of clear and convincing evidence that April and Well World's corporate personalities were used to perpetuate fraud, or circumvent the law said corporations were rightly treated as distinct and separate from each other. Further, petitioners' emphatic reliance with the case of La Campana is misplaced. In La Campana, unlike in this case, the two corporations, i.e., La Campana Coffee Factory, Inc. and La Campana Gaugau Packing, were not only owned by the same person, but moreover have a single management, business office and a single payroll for both businesses. Indeed, the workers of La Campana Gaugau Packing "were interchangeable, that is, the laborers from gaugau factory were sometimes transferred to the coffee factory and vice-versa."^[16]

We thus quote with approval the observations made by the Labor Arbiter as follows:

"We can not fully subscribe to the above contention of the complainants. We do not believe that the circumstances related by the complainants are sufficient indicia that the two corporations are one and the same corporation although it appears that two of the original incorporators and stockholders of April Toy, Inc. were incorporators and minority stockholders of Well-World Toy, Inc. Hence it does not mean that the two (2) corporations are adjunct and conduit. There is not express provision under the Corporation Law prohibiting stockholders or incorporators of a corporation to be a stockholder or incorporator of another corporation.

"The fiction that a corporation was a distinct and separate personality shall not be used as a subterfuge to commit injustice and circumvent the law does not apply in the present case. There is no conclusive evidence to convince us that respondent April Toy, Inc. was established and later on closed to defeat the rights of the workers of Well-World Toy, Inc. which would

otherwise support the charge of unfair labor practice. Hence, we find that the two (2) corporations are separate and distinct entities.”^[17]

and, on appeal, by public respondent NLRC, thus:

“Relative to the closure of April Toy, it is clear from the records that as early as December 1989 or long before a certification election was conducted among its rank-and-file employees on February 2, 1990, the employees were already aware that April Toy was suffering from financial crisis. It further appearing that April Toy continued to suffer losses as evidenced by its financial statements ending December 31, 1989 and its balance sheet ending March 31, 1990, the Labor Arbiter a quo correctly ruled that the eventual closure of its business on February 27, 1990, is valid.

“Anent the question of whether or not April Toy and Well-World Toy are one and the same, with the facts and circumstances showing that the owners of April Toy are different from those of Well-World, the management of one being different from the other, and the office of April Toy is situated more than ten kilometers away from Well-World, plus the fact that the closure of April Toy was for valid reasons, the Labor Arbiter likewise correctly opined that the two corporations are separate and distinct from each other, and that there is no basis for piercing the veil of corporate fiction.”^[18]

Furthermore, the petition hinges on the factual findings of both the Labor Arbiter and the NLRC. It should be stressed that the factual findings of quasi-judicial agencies like the NLRC are generally accorded not only respect but, at times, finality if such are supported by substantial evidence.^[19] Judicial review by this Court in labor cases does not go so far as to require this Court to evaluate the sufficiency of the evidence upon which the Labor Arbiter and respondent NLRC based their determination as our review is limited to issues of jurisdiction or grave abuse of discretion. In the instant suit, the findings of the Labor Arbiter was duly affirmed by respondent NLRC, findings amply supported by substantial evidence on record. We find no cogent reason, as none was presented, to deviate from the same.

ACCORDINGLY, finding no grave abuse of discretion on the part of respondent NLRC in rendering the assailed Resolution, the instant Petition is hereby **DISMISSED** for lack of merit.

SO ORDERED.

Narvasa, C.J., Davide, Jr., Melo and Panganiban, JJ., concur.

- [*] Petitioners who signed, with the assistance of counsel, their respective Release, Waiver and Quitclaim, discharging April Toys Inc., from any liability. They also moved for the dismissal of the instant petition. See: Rollo, pp. 346-357.
- [1] Articles of Incorporation of April Toy, Inc., Rollo, p. 312.
- [2] Rollo, pp. 321-322.
- [3] Director's Certificate. Rollo, p. 332.
- [4] Rollo, p. 335.
- [5] Rollo, p. 340.
- [6] Rollo, p. 336.
- [7] Rollo, p. 337.
- [8] Rollo, p. 338.
- [9] Decision of the Labor Arbiter; p. 1; Rollo, p. 15.
- [10] Of the seventy-seven initial complainants below, forty nine were former probationary employees of Well World Toys, Inc. Only the following probationary employees proceeded to file his petition, viz.: Lucy Almonte, Norma Elegante, Abner Petilos, Narciso Hilapo, Evelyn Untalan, Narcisa Venzon, Solita Laguio, and Josephine Derong. (See: Rollo, p. 22).
- [11] Petition, p. 5; Rollo, p. 6.
- [12] Memorandum for the petitioners, p. 2; Rollo, p. 237.
- [13] Petition, p. 9; Rollo, p. 10.
- [14] Petition, pp. 3-4; Rollo. pp. 4-5.
- [15] Del Rosario vs. NLRC, 187 SCRA 777, 781.
- [16] La Campana Coffee Factory, Inc. vs. Kaisahan ng mga Manggagawa sa La Campana (KKM), 93 Phil. 160, 166.
- [17] Decision of the Labor Arbiter, pp. 12-13; Rollo, pp. 26-27.
- [18] Resolution of the NLRC, p. 3; Rollo, p. 32.
- [19] Vallende vs. NLRC, 245 SCRA 662.