**SUPREME COURT**
**EN BANC**

**SECURITY BANK EMPLOYEES UNION-NATU and RUBEN PUERTOLLANO,**
***Petitioners*,**

***-versus-***

**G.R. No. L-28536**
**April 30, 1968**

**SECURITY BANK & TRUST COMPANY and HON. JOSE N. LEUTERIO,**
***Respondents*.**
**x----------x**

**D E C I S I O N**

**FERNANDO, *J.*:**

May a Court of First Instance assume jurisdiction over an action to enforce a no-strike clause in a collective bargaining agreement, the complaint setting forth that there was a threat of a strike, with two labor federations engaged in a dispute over the affiliation of the local union, which, if carried out, would be violative of the above clause? Respondent Judge, the Hon. Jose N. Leuterio, of the Court of First Instance of Manila, answered in the affirmative. This Court views the matter differently.

In a petition for certiorari and prohibition with preliminary injunction, dated January 15, 1968, petitioners being the Security

Bank Employees Union-NATU, hereinafter referred to as the Local Union, and Ruben Puertollano, who according to the petition, is its president, it was stated that on October 20, 1967, the petitioner-union filed a notice of strike with the Department of Labor, complaining of unfair labor practices committed by the respondent Security Bank and Trust Co. against petitioners and consisting of the following acts:" (1) Interference with restraint and coercion of employees in their rights to self-organization; and (2) Assistance to and support of a labor organization favored by management."[1] Then came the assertion that on October 21, 1967, the respondent Bank in an obvious attempt to invest the Court of First Instance of Manila, presided by respondent Judge, with jurisdiction over the labor dispute it had with petitioners, filed with said court a complaint against petitioners for damages with preliminary injunction, alleging that the filing of a strike notice by petitioners on October 20, 1967 was violative of the existing Collective Bargaining Agreement.[2]

The grievance of petitioners against respondent Judge is that "in total disregard of repeated pronouncements and injunctions by this Honorable Court against the grant of ex parte injunctions and restraining orders in labor disputes, and acting without or in excess of jurisdiction or with grave abuse of discretion amounting to lack of jurisdiction," he issued ex parte a restraining order prohibiting the defendants in that case, petitioners here, from staging or continuing a strike or picketing "of whatever kind or form, particularly, at plaintiff's main office at Escolta, Manila," as well as any of its branches.[3] Then came the allegations that petitioners on October 26, 1967, filed their opposition to the issuance of the writ of preliminary injunction on the ground of lack of jurisdiction on the part of the lower court as well as the fatally defective character of the plea for injunction;[4] that on November 2, 1967, respondent Judge issued an order denying the opposition of petitioners on the ground of the absence of a labor dispute;[5] that on the same date, upon receipt of such order of denial, petitioners filed a motion for reconsideration,[6] and that on November 8, 1967, respondent Bank filed its opposition to petitioners' motion for reconsideration.[7]

The lower court, however, in an order by respondent Judge dated December 23, 1967, denied the motion for reconsideration of petitioners principally on the ground that there was no labor dispute,

a denial, which, according to the petition, was "in complete disregard of [their] constitutional rights, more specifically the right to picket x x x"[8] Then came the order of January 3, 1968, modifying the writ of preliminary injunction issued by it on November 2, 1967, limiting it to a restraint on "the defendant or their representative from picketing of whatever kind or form until further orders by [it]."[9] The above actuations of respondent Judge according to the petition are "without or in excess of jurisdiction or with grave abuse of discretion amounting to lack of jurisdiction." The plea for preliminary injunction is premised on the assertion that unless restrained, "respondent judge will continue to enforce his arbitrary and high-handed orders restricting the exercise by the petitioners of their Constitutional and legal rights respecting their labor dispute with the respondent bank, which would work grave and irreparable injustice to the petitioners;"[10]

In a resolution dated January 24, 1968, the petition was given due course with a restraining order, being issued, respondents being given up to January 31, 1968, to file an answer, and the hearing on the preliminary injunction set for February 2, 1968.

The answer of respondent Bank was filed on January 30, 1968. While the facts as alleged in the petition were in the main admitted, there was a denial of petitioner Puertollano being the president of the Security Bank Employees Union and an assertion that the notice of strike filed with the Department of Labor was his unauthorized act not that of the Local Union.[11] It sustained the jurisdiction of the lower court on the ground that there was no labor dispute between respondent Bank and petitioners, "the dispute being entirely between Ruben Puertollano on the one hand and the majority officers and members of the Local Union on the other as to which labor federation their local union would affiliate and, therefore, the Court of First Instance of Manila had jurisdiction over the action instituted by [it]; and because the allegations in the complaint filed in the Court of First Instance of Manila, are the best evidence of what the complaint prayed for and the grounds therein relied upon, respondent [Bank] specifically [denying] petitioners' erroneous interpretation as to what was the principal relief and what were the grounds for the preliminary injunction therein prayed for."[12] Basically, its defense was that the orders of respondent Judge complained of far from

having been issued without or in excess of jurisdiction or with grave abuse of discretion are in accordance with law and jurisprudence.[13] Before setting forth its affirmative defenses, there was a reiteration of its contention that there was no labor dispute between respondent Bank and petitioners.

The theme that respondent Judge "had jurisdiction over the action filed" by it "and to issue the orders and decision sought to be annulled by the instant petition" was more fully developed in its affirmative defenses, it being argued that the sworn allegations in the complaint conferred such competence on the respondent court, the action being "actually one for the enforcement of a negative contractual obligation solemnly assumed by therein defendants (regardless of what labor federation the Local Union was affiliated to)" in the collective bargaining still in force. Seno vs. Mendoza[14] was quoted to the effect that even if there be a pending labor dispute between an employer and employee, a Court of First Instance still has jurisdiction over the action which seeks the enforcement of a provision of a collective bargaining agreement.[15] It was then contended that with respondent Judge having jurisdiction over the subject matter even if the orders were irregular or erroneous, they could not be corrected by certiorari.[16]

As to the allegedly fatal defect in the issuance of the injunction, it was asserted by the respondent Bank that the restrictions and requirements contained in Sec. 9(d) of the Industrial Peace Act "apply only to cases involving labor disputes; where no labor disputes exist, ordinary courts may issue injunctions against wrongful picketing pursuant to the general provisions of the Rules of Court."[17] From which it concluded: "The legal principle, accurately stated, is therefore, actually to the effect that it is only when a labor dispute is involved that our regular courts of law are restricted by Section 9(d) of Rep. Act 875 in the exercise of their otherwise recognized discretionary authority to issue injunctions in accordance with the ordinary provisions of the Rules of Court."[18] It prayed that the petition be dismissed with costs against petitioners.

1. The crucial question then is one of jurisdiction. It is a settled rule that the jurisdiction of a court over the subject matter is determined by the allegations of the complaint,[19] a

rule which according to this Court is one "highly esteemed and honored for so long a time."[20] It was even emphatically asserted in one case that no plausible argument could be offered to dispute such a proposition.[21]

We therefore turn to the complaint[22] of respondent Bank filed in the sala of respondent Judge to determine the question of jurisdiction. The complaint stated plaintiff "is a commercial banking corporation" while defendants National Association of Trade Unions, thereinafter referred to as NATU, and the Lakas ng Manggagawang Makabayan, thereinafter referred to as the LMM, "are legitimate labor federations duly registered with the Bureau of Labor," the other defendants, one of them, now petitioner, Ruben Puertollano and Jesus V. Ocampo, being "officers of the local union, both of whom claim rightful authority to act as the president thereof, x x x.[23] Reference was next made to a letter dated November 10, 1966 addressed to plaintiff, now respondent Bank, wherein the LMM, through its president, set forth the Local Union's affiliation with it and that on December 13, 1966, a collective bargaining agreement was concluded and signed between plaintiff, now respondent Bank, on the one hand and the Local Union and LLM on the other, such collective bargaining agreement to be effective and binding until June 30, 1970.[24]

Then came the assertion that in a letter dated October 17, 1967, addressed to plaintiff, now respondent Bank, defendant LMM advised plaintiff of the "designation and appointment of Jesus V. Ocampo, union vice-president, as "acting president" of the Local Union, but in a communication dated the same day "the defendant NATU, thru its President, advised herein plaintiff of [Local Union's] affiliation with it and of its intention to participate and act in collaboration with [such union] in matters requiring representation."[25] A copy of such communication was immediately forwarded to defendant LMM, which in turn "contested the legality and effectiveness of [such] affiliation with the defendant NATU for the reasons stated in the said letter and demanded 'that [the plaintiff] disregard the claim of NATU [of such alleged] affiliation with it', further threatening plaintiff that should its demand be ignored, plaintiff's

'recognition of NATU's claim' cannot be [a] guarantee to a continued cooperation and industrial peace in [plaintiff's] establishment for [the LMM] will be forced to take drastic action to protect [its] interests.'"[26] That same afternoon of October 20, 1967, according to the complaint, "with the obvious purpose of compelling immediate recognition by plaintiff of the affiliation of the [Local Union] with the NATU notwithstanding its having been disputed by the defendant LMM and a faction [thereof] headed by the defendant [Ocampo], the defendant NATU and the faction . headed by defendant Ruben Puertollano, filed a notice with the Bureau of Labor Relations announcing its intention to stage an immediate strike."[27]

After which came the categorical declaration that plaintiff, now respondent Bank "has no labor dispute nor any labor issue of whatever kind" with the local union.[28] Then came the allegation: "The concerted collective action and strike threatened by both the LMM and the faction of the [Local Union] headed by Jesus V. Ocampo as well as by the defendant NATU and the faction headed by the defendant Ruben Puertollano, being principally for the purpose of securing the immediate recognition by plaintiff of their respective claims to the control and management of the Local Union, will, if carried out constitute a violation of the provisions of Art. XV, Sec. 2, par. (a) of the aforementioned Collective Bargaining Agreement."[29] It was then stated that due to the foregoing threatening acts of the defendant, plaintiff was compelled to engage the services of counsel to protect its rights and interests, for which it is entitled to attorneys' fees in such amount to be determined by the lower court.[30]

The complaint next took up the grounds on which the issuance of an ex parte writ of preliminary injunction was sought, plaintiff, now respondent Bank, after incorporating and reproducing by reference what had been set forth stressing that such "concerted action, picket or strike" threatened by both defendants NATU and LMM would "be staged unless restrained" by the lower court and that in view" of the sensitive and vulnerable character of plaintiff's business, substantial and irreparable damage and injury will be suffered by plaintiff by

reason of any concerted action or strike against it before the matter can be heard on notice; x x x."[31] The prayer was for a writ of preliminary injunction directed to defendants, their officers, members or agents from staging in front of or in the vicinity of plaintiff's main office as well as any of its branches, any strike or picketing of whatever kind or form during the existence or pendency of any dispute or controversy between them as to the affiliation, control and management of the local union with the further plea that after a hearing on the merits, judgment be rendered declaring permanent the aforesaid injunction.

The complaint contains an admission, binding against respondent Bank, that such threatened "concerted collective action and strike" that may be staged by both the LMM and the NATU "if carried out [would] constitute a violation of the collective bargaining agreement." For it was there provided expressly that the Local Union, "its officers, agents and members agree that for the duration of this agreement there shall be no strike, walkouts, sit-downs, stoppage of work, strikes, boycotts, secondary boycotts, sympathetic or general strikes, nor any acts of similar nature which would interfere with the normal business operations and work schedules of the Bank, or picketing of any kind or form, however, peaceful, and that it will not otherwise permit, countenance, or suffer the existence or continuance of any kind of those acts," except in cases of unfair labor practice. Is this matter then properly cognizable by the lower court, presided by respondent Judge? We hold that it is not.

From PAFLU vs. Tan[32] to Bay View Hotel, Inc. vs. Manila Hotel Workers Union,[33] there has been unwavering adherence to the principle that under the Industrial Peace Act, unfair labor practice cases fall within the exclusive competence of the Court of Industrial Relations. In Republic Savings Bank vs. Court of Industrial Relations,[34] it was held that the grievance procedure provided by collective bargaining agreement must be followed and that whatever obligation is incumbent on either management or labor must be complied with. A failure to perform its duty by either party amounts to a commission of an

unfair labor practice. “For collective bargaining does not end with the execution of an agreement. It is a continuous process.”[35]

It being expressly provided in the Industrial Peace Act that unfair labor practice is committed by a labor union or its agent by its refusal “to bargain collectively with the employer”[36] and this Court having decided in the Republic Savings Bank case that collective bargaining does not end with the execution of an agreement, being a continuous process, the duty to bargain necessarily imposing on the parties the obligation to live up to the terms of such a collective bargaining agreement if entered into, it is undeniable that non- compliance therewith constitutes an unfair labor practice. It follows that the complaint of respondent Bank in this case, tested by the allegations therein made, should have been filed with the Court of Industrial Relations. Deference to a long line of decisions from PAFLU vs. Tan, unequivocal in language and imperative in tone, calls for a ruling that respondent Judge acted without jurisdiction on the matter.

2. The point might be raised however, that from Dee Cho Lumber Workers’ Union vs. Dee Cho Lumber Co.,[37] relying on the PAFLU vs. Tan decision, this Court has been committed to the view that jurisdiction over a case involving the enforcement of a collective bargaining contract rests not with the Court of Industrial Relations but with a Court of First Instance. Such a principle does not call for application in the present case in view of the Republic Savings Bank doctrine, which if adhered to, as it ought to be, would result in labor litigations of this character being submitted to the Court of Industrial Relations. It would thus have the opportunity of availing itself of its expertise on labor matters.

That such a result is not to be deplored should be obvious to all, for no agency is better equipped by training, experience, and background to handle labor controversies than the Court of Industrial Relations. The observation of Justice J.B.L. Reyes, though subject to qualifications, still possesses relevance. As noted by him, the regular courts “have not intervened in labor

cases [since 1936] and are therefore ill-prepared to apply labor laws and policies. And the frequency with which this Court has had to upset their labor injunctions attests to the fact."[38] For it is undeniable that injunctions in labor disputes under the Industrial Peace Act are not favored, to put it at its mildest. They may issue only after a strict and rigorous compliance with the statutory requisites.

3. The contention is earnestly pressed by respondent Bank, that the provisions of the Industrial Peace Act do not call for application there being no labor dispute, in which case it suffices to meet the less stringent requirements of the Rules of Court for the issuance of an injunction. It is to be admitted that as expounded in its answer and memorandum, the argument has a ring of plausibility. It cannot, however, carry the heavy burden of persuasion.

For one thing, the very allegations of the complaint of respondent Bank on which respondent Judge acted as well as its prayer betrayed what undoubtedly was its well-founded fear that a strike was in the offing, a strike undoubtedly to be participated in by members of the local union independently of whether the LMM or the NATU would emerge victorious. It would thus be far-fetched to characterize such an impasse as lacking the elements of a labor dispute. That is to fail to accord recognition to reality.

It is true that respondent Bank is in the unenviable position of an innocent bystander caught in the cross-fire. It enlists one's sympathy, but it cannot with reason assert that its difficulties are in no way connected with a labor controversy. Besides, it is now too late to consider as lacking the elements of a labor dispute a situation where rival unions vie for supremacy. This court has so indicated in at least two decisions, Balaquezon Trans. Labor Union vs. Muñoz-Palma[39] and Malayang Manggagawa sa Esso vs. Esso Standard Eastern.[40] Even if it be granted, however, that the ordinary procedure provided by the Rules of Court could be relied upon, the last mentioned order of respondent Judge dated January 3, 1968, which modified what was issued by him on November 2, 1967 enjoining "the

> defendants or their representatives from picketing of whatever kind or form",[41] still could not survive the jurisdictional test. It suffers from the fatal defect of prohibiting any picketing of whatever kind or form." This cannot be done consistently with the Industrial Peace Act, which categorically provides that no Court, Commission or Board of the Philippines "shall have jurisdiction except as provided in section ten of this Act to issue any restraining order, temporary or permanent injunction in any case involving or growing out of a labor dispute to prohibit any person or persons participating or interested in such dispute from doing whether singly or in concert, any of the following acts: x x x; (5) Giving publicity to the existence of, or the facts involved in any labor dispute, whether by advertising, speaking, patrolling, or by any method not involving fraud or violence; x x x."[42]

Moreover, this Court, in Caltex Refinery Association vs. Lucero,[43] made explicit its disapproval of an injunction against strikes, holding that "no Court can issue a restraining order against union members who plan to hold a strike even if the same may appear to be illegal." That is so in view of the unmistakable language employed in the Industrial Peace Act, with reference to strikes. The statutory command on picketing likewise calls for a similar declaration. The obstacle that bars respondent Bank from attaining its objective to bar all picketing is indeed too formidable to surmount. Also, even without such a categorical mandate expressed in the Act, the recognition of peaceful picketing as a constitutional right embraced in the freedom of expression dating from the 1947 decision of Mortera vs. Court of Industrial Relations,[44] precludes the issuance of such a blanket prohibition as that imposed in the challenged order of respondent Judge of January 3, 1968.

This is not to say that picketing, like freedom of expression in general, has no limits. Certainly, to the extent that it is an instrument of coercion rather than of persuasion, it cannot rightfully be entitled to the protection associated with free speech. Equally so, there can be no indiscriminate ban on the freedom to disseminate the facts of a labor dispute and to appeal for public sympathy, which is the aim of peaceful picketing, without a transgression of the Constitution, sufficient to oust a court of jurisdiction, even on the assumption that

it was originally possessed of such a competence, which was not so in this case as had been earlier made clear.

**WHEREFORE**, this petition for certiorari and prohibition is granted and the enforcement of the order of respondent Judge of October 23, 1967, the decision of November 2, 1967, and the order of January 3, 1968 permanently enjoined. With costs against respondent Security Bank and Trust Co.

**Reyes, *(Acting C.J.)*, Bengzon, Zaldivar, Sanchez, Castro, and Angeles, *JJ.*, concur.**

**Dizon and Makalintal, *JJ.*, took no part.**

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[1] Petition, par. 3.
[2] Id., par. 4.
[3] Id., par. 5 and Annex B.
[4] Id., par. 6.
[5] Id., par. 8.
[6] Id., par. 9.
[7] Id., par. 10.
[8] Id., par. 11.
[9] Id., par. 12 and Annex I.
[10] Id., par. 15.
[11] Answer, par. 1.
[12] Answer, par. 3.
[13] Answer, pars. 4-9.
[14] L-20565, November 29, 1967.
[15] Answers, pars. 12, A (1), (2), (3).
[16] Id., pars. 12, A (4).
[17] Answer, par. 13.
[18] Id., par. 13.
[19] Edward J. Nell Co. vs. Cubacub, L-20842, June 23, 1965.
[20] Bay View Hotel, Inc. vs. manila Hotel Workers Union L-21803, December 17, 1966.
[21] Associated Labor Union vs. Ramolete, L-23527, March 31, 1965.
[22] Security Bank & Trust Co. vs. National Association of Trade Unions, et al., Civil Case No. 81085, Court of First Instance of Manila, Annex A, Petition.
[23] Complaint, Annex A, pars. 1 and 2.
[24] Complaint, Annex A, pars. 3 and 4.
[25] Complaint, Annex A, par. 6.
[26] Complaint, Annex A, par. 8.
[27] Id., par. 9.

[28] Id., par. 10.
[29] Id., par. 11.
[30] Id., par. 11.
[31] Id., pars. 13 to 15.
[32] 99 Phil. 854 (1956).
[33] L-21803, December 17, 1966. The Tan ruling was followed in Reyes vs. Tan, 99 Phil, 880 (1956); Cebu Port Labor Union vs. States Marine Co., 101 Phil. 468 (1957), Bec Cho Lumber Workers Union vs. Dee Cho Lumber Co., 101 Phil. 417 (1957); Allied Free Workers' Union vs. Apostol, 102 Phil. 292 (1957); National Association of Trade Union vs. Bayona, L-12940, April 17, 1959; Naric Workers' Union vs. Alvendia, L- 14439, March 25, 1960; Associate Labor Union vs. Rodriguez, L-16672, October 31, 1960; Philippine Wood Products vs. Court, L-15279, June 30, 1961; Republic Savings Ba. 16115, August 27, 1961, Edward J. Nell Co. vs. Cubacub, L-20842, June 23, 1965, Nasipit Labor Union vs. Court, L-17838, August 3, 1966.
[34] L-20303, September 27, 1967.
[35] The majority of this Court speaking through Justice Castro was of that view, the writer of this opinion concurring in the result therein reached on the ground that the unfair labor practice committed "amounted to interference, restraint or coercion."
[36] Sec. 4(b) (3) of Republic Act No. 875.
[37] 101 Phil. 421 (1957). The latest case in point is Seno vs. Mendoza, L-20565, Nov. 29, 1969.
[38] Concurring and dissenting opinion in Allied Free Workers Union vs. Apostol, 102 Phil. 292, 295 (1957). There must be this qualification. Ever since PAFLU vs. Tan, labor cases have been handled anew by courts of first instance. The then Justice, now Chief Justice, Concepcion agreed with Justice J.B.L. Reyes.
[39] L-18257, November 27, 1959.
[40] L-24224, July 30, 1965.
[41] Order of January 3, 1968, Annex I of Petition.
[42] Sec. 9 (a) (5) of Republic Act No. 875.
[43] L-15338, April 28, 1962.
[44] 79 Phil. 345. This Court there stated: "Peaceful picketing cannot be prohibited. It is part of the freedom of speech guaranteed by the Constitution." Subsequently, in PAFLU vs. Barot, 99 Phil. 1008 (1956) picketing was again referred to as "a fundamental right" which could not be validly prohibited. Then in De Leon vs. National Labor Union, 100 Phil. 792, there was this reaffirmation: "Picketing peacefully carried out is not illegal even in the absence of employer- employee relationship for peaceful picketing is part of the freedom of speech guaranteed by the Constitution." Such a view was again upheld in Malayang Manggagawa sa Esso vs. Esso Standard Eastern, L-24224, July 30, 1965.