

## THIRD DIVISION

[ G.R. No. 198967, March 07, 2016 ]

**JOSE EMMANUEL GUILLERMO, P. PETITIONER, VS. CRISANTO P. USON, RESPONDENT.**

### D E C I S I O N

**PERALTA, J.:**

Before the Court is a petition for review on *certiorari* under Rule 45 of the Rules of Court seeking to annul and set aside the Court of Appeals Decision<sup>[1]</sup> dated June 8, 2011 and Resolution<sup>[2]</sup> dated October 7, 2011 in CA G.R. SP No. 115485, which affirmed *in toto* the decision of the National Labor Relations Commission (NLRC).

The facts of the case follow.

On March 11, 1996, respondent Crisanto P. Uson (*Uson*) began his employment with Royal Class Venture Phils., Inc. (*Royal Class Venture*) as an accounting clerk.<sup>[3]</sup> Eventually, he was promoted to the position of accounting supervisor, with a salary of Php13,000.00 a month, until he was allegedly dismissed from employment on December 20, 2000.<sup>[4]</sup>

On March 2, 2001, Uson filed with the Sub-Regional Arbitration . Branch No. 1, Dagupan City, of the NLRC a Complaint for Illegal Dismissal, with prayers for backwages, reinstatement, salaries and 13<sup>th</sup> month pay, moral and exemplary damages and attorney's fees against Royal Class Venture.<sup>[5]</sup>

Royal Class Venture did not make an appearance in the case despite its receipt of summons.<sup>[6]</sup>

On May 15, 2001, Uson filed his Position Paper<sup>[7]</sup> as complainant.

On October 22, 2001, Labor Arbiter Jose G. De Vera rendered a Decision<sup>[8]</sup> in favor of the complainant Uson and ordering therein respondent Royal Class Venture to reinstate him to his former position and pay his backwages, 13<sup>th</sup> month pay as well as moral and exemplary damages and attorney's fees.

Royal Class Venture, as the losing party, did not file an appeal of the decision.<sup>[9]</sup> Consequently, upon Uson's motion, a Writ of Execution<sup>[10]</sup> dated February 15, 2002 was issued to implement the Labor Arbiter's decision.

On May 17, 2002, an Alias Writ of Execution<sup>[11]</sup> was issued. But with the judgment still unsatisfied, a Second Alias Writ of Execution<sup>[12]</sup> was issued on September 11, 2002.

Again, it was reported in the Sheriff's Return that the Second Alias Writ of Execution dated September 11, 2002 remained "unsatisfied." Thus, on November 14, 2002, Uson filed a Motion for Alias Writ of Execution and to Hold Directors and Officers of Respondent Liable for Satisfaction of the Decision.<sup>[13]</sup> The motion quoted from a portion of the Sheriffs Return, which states:

On September 12, 2002, the undersigned proceeded at the stated present business office address of the respondent which is at Minien East, Sta. Barbara, Pangasinan to serve the writ of execution. Upon arrival, I found out that the establishment erected thereat is not [in] the respondent's name but JOEL and SONS CORPORATION, a family corporation owned by the Guillermos of which, Jose Emmanuel F. Guillermo the General Manager of the respondent, is one of the stockholders who received the writ using his nickname "Joey," [and who] concealed his real identity and pretended that he [was] the brother of Jose, which [was] contrary to the statement of the guard-on-duty that Jose and Joey [were] one and the same person. The former also informed the undersigned that the respondent's (sic) corporation has been dissolved.

On the succeeding day, as per [advice] by the [complainant's] counsel that the respondent has an account at the Bank of Philippine Islands Magsaysay Branch, A.B. Fernandez Ave., Dagupan City, the undersigned immediately served a notice of garnishment, thus, the bank replied on the same day stating that the respondent [does] not have an account with the branch.<sup>[14]</sup>

On December 26, 2002, Labor Arbiter Irenarco R. Rimando issued an Order<sup>[15]</sup> granting the motion filed by Uson. The order held that officers of a corporation are jointly and severally liable for the obligations of the corporation to the employees and there is no denial of due process in holding them so even if the said officers were not parties to the case when the judgment in favor of the employees was rendered.<sup>[16]</sup> Thus, the Labor Arbiter pierced the veil of corporate fiction of Royal Class Venture and held herein petitioner Jose Emmanuel Guillermo (*Guillermo*), in his personal capacity, jointly and severally liable with the corporation for the enforcement of the claims of Uson.<sup>[17]</sup>

Guillermo filed, by way of special appearance, a Motion for Reconsideration/To Set Aside the Order of December 26, 2002.<sup>[18]</sup> The same, however, was not granted as, this time, in an Order dated November 24, 2003, Labor Arbiter Niña Fe S. Lazaga-Rafols sustained the findings of the labor arbiters before her and even castigated Guillenno for his unexplained absence in the prior proceedings despite notice, effectively putting responsibility on Guillermo for the case's outcome against him.<sup>[19]</sup>

On January 5, 2004, Guillermo filed a Motion for Reconsideration of the above Order,<sup>[20]</sup> but the same was promptly denied by the Labor Arbiter in an Order dated January 7, 2004.<sup>[21]</sup>

On January 26, 2004, Uson filed a Motion for Alias Writ of Execution,<sup>[22]</sup> to which

Guillermo filed a Comment and Opposition on April 2, 2004.<sup>[23]</sup>

On May 18, 2004, the Labor Arbiter issued an Order<sup>[24]</sup> granting Uson's Motion for the Issuance of an Alias Writ of Execution and rejecting Guillermo's arguments posed in his Comment and Opposition.

Guillermo elevated the matter to the NLRC by filing a Memorandum of Appeal with Prayer for a (Writ of) Preliminary Injunction dated June 10, 2004.<sup>[25]</sup>

In a Decision<sup>[26]</sup> dated May 11, 2010, the NLRC dismissed Guillermo's appeal and denied his prayers for injunction.

On August 20, 2010, Guillermo filed a Petition for *Certiorari*<sup>[27]</sup> before the Court of Appeals, assailing the NLRC decision.

On June 8, 2011, the Court of Appeals rendered its assailed Decision<sup>[28]</sup> which denied Guillermo's petition and upheld all the findings of the NLRC.

The appellate court found that summons was in fact served on Guillermo as President and General Manager of Royal Class Venture, which was how the Labor Arbiter acquired jurisdiction over the company.<sup>[29]</sup> But Guillermo subsequently refused to receive all notices of hearings and conferences as well as the order to file Royal Class Venture's position paper.<sup>[30]</sup> Then, it was learned during execution that Royal Class Venture had been dissolved.<sup>[31]</sup> However, the Court of Appeals held that although the judgment had become final and executory, it may be modified or altered "as when its execution becomes impossible or unjust."<sup>[32]</sup> It also noted that the motion to hold officers and directors like Guillermo personally liable, as well as the notices to hear the same, was sent to them by registered mail, but no pleadings were submitted and no appearances were made by anyone of them during the said motion's pendency.<sup>[33]</sup> Thus, the court held Guillermo liable, citing jurisprudence that hold the president of the corporation liable for the latter's obligation to illegally dismissed employees.<sup>[34]</sup> Finally, the court dismissed Guillermo's allegation that the case is an intra-corporate controversy, stating that jurisdiction is determined by the allegations in the complaint and the character of the relief sought.<sup>[35]</sup>

From the above decision of the appellate court, Guillermo filed a Motion for Reconsideration<sup>[36]</sup> but the same was again denied by the said court in the assailed Resolution<sup>[37]</sup> dated October 7, 2011.

Hence, the instant petition.

Guillermo asserts that he was impleaded in the case only more than a year after its Decision had become final and executory, an act which he claims to be unsupported in law and jurisprudence.<sup>[38]</sup> He contends that the decision had become final, immutable and unalterable and that any amendment thereto is null and void.<sup>[39]</sup> Guillermo assails the so-called "piercing the veil" of corporate fiction which allegedly discriminated against him when he alone was belatedly impleaded despite the existence of other directors and officers in Royal Class Venture.<sup>[40]</sup> He also claims

that the Labor Arbiter has no jurisdiction because the case is one of an intra-corporate controversy, with the complainant Uson also claiming to be a stockholder and director of Royal Class Venture.<sup>[41]</sup>

In his Comment,<sup>[42]</sup> Uson did not introduce any new arguments but merely cited *verbatim* the disquisitions of the Court of Appeals to counter Guillermo's assertions in his petition.

To resolve the case, the Court must confront the issue of whether an officer of a corporation may be included as judgment obligor in a labor case for the first time only after the decision of the Labor Arbiter had become final and executory, and whether the twin doctrines of "piercing the veil of corporate fiction" and personal liability of company officers in labor cases apply.

The petition is denied.

In the earlier labor cases of *Claparols v. Court of Industrial Relations*<sup>[43]</sup> and *A.C. Ransom Labor Union-CCLU v. NLRC*,<sup>[44]</sup> persons who were not originally impleaded in the case were, even during execution, held to be solidarity liable with the employer corporation for the latter's unpaid obligations to complainant-employees. These included a newly-formed corporation which was considered a mere conduit or alter ego of the originally impleaded corporation, and/or the officers or stockholders of the latter corporation.<sup>[45]</sup> Liability attached, especially to the responsible officers, even after final judgment and during execution, when there was a failure to collect from the employer corporation the judgment debt awarded to its workers.<sup>[46]</sup> In *Naguiat v. NLRC*,<sup>[47]</sup> the president of the corporation was found, for the first time on appeal, to be solidarily liable to the dismissed employees. Then, in *Reynoso v. Court of Appeals*,<sup>[48]</sup> the veil of corporate fiction was pierced at the stage of execution, against a corporation not previously impleaded, when it was established that such corporation had dominant control of the original party corporation, which was a smaller company, in such a manner that the latter's closure was done by the former in order to defraud its creditors, including a former worker.

The rulings of this Court in *A.C. Ransom*, *Naguiat*, and *Reynoso*, however, have since been tempered, at least in the aspects of the lifting of the corporate veil and the assignment of personal liability to directors, trustees and officers in labor cases. The subsequent cases of *McLeod v. NLRC*,<sup>[49]</sup> *Spouses Santos v. NLRC*<sup>[50]</sup> and *Carag v. NLRC*,<sup>[51]</sup> have all established, save for certain exceptions, the primacy of Section 31<sup>[52]</sup> of the Corporation Code in the matter of assigning such liability for a corporation's debts, including judgment obligations in labor cases. According to these cases, a corporation is still an artificial being invested by law with a personality separate and distinct from that of its stockholders and from that of other corporations to which it may be connected.<sup>[53]</sup> It is not in every instance of inability to collect from a corporation that the veil of corporate fiction is pierced, and the responsible officials are made liable. Personal liability attaches only when, as enumerated by the said Section 31 of the Corporation Code, there is a wilfull and knowing assent to patently unlawful acts of the corporation, there is gross negligence or bad faith in directing the affairs of the corporation, or there is a conflict of interest resulting in damages to the corporation.<sup>[54]</sup> Further, in another

labor case, *Pantranco Employees Association (PEA-PTGWO), et al. v. NLRC, et al.*,<sup>[55]</sup> the doctrine of piercing the corporate veil is held to apply only in three (3) basic areas, namely: ( 1) defeat of public convenience as when the corporate fiction is used as a vehicle for the evasion of an existing obligation; (2) fraud cases or when the corporate entity is used to justify a wrong, protect fraud, or defend a crime; or (3) *alter ego* cases, where a corporation is merely a farce since it is a mere alter ego or business conduit of a person, or where the corporation is so organized and controlled and its affairs are so conducted as to make it merely an instrumentality, agency, conduit or adjunct of another corporation. In the absence of malice, bad faith, or a specific provision of law making a corporate officer liable, such corporate officer cannot be made personally liable for corporate liabilities.<sup>[56]</sup> Indeed, in *Reahs Corporation v. NLRC*,<sup>[57]</sup> the conferment of liability on officers for a corporation's obligations to labor is held to be an exception to the general doctrine of separate personality of a corporation.

It also bears emphasis that in cases where personal liability attaches, not even all officers are made accountable. Rather, only the "responsible officer," *i.e.*, the person directly responsible for and who "acted in bad faith" in committing the illegal dismissal or any act violative of the Labor Code, is held solidarily liable, in cases wherein the corporate veil is pierced.<sup>[58]</sup> In other instances, such as cases of so-called corporate tort of a close corporation, it is the person "actively engaged" in the management of the corporation who is held liable.<sup>[59]</sup> In the absence of a clearly identifiable officer(s) directly responsible for the legal infraction, the Court considers the president of the corporation as such officer.<sup>[60]</sup>

The common thread running among the aforementioned cases, however, is that the veil of corporate fiction can be pierced, and responsible corporate directors and officers or even a separate but related corporation, may be impleaded and held answerable solidarily in a labor case, even after final judgment and on execution, so long as it is established that such persons have deliberately used the corporate vehicle to unjustly evade the judgment obligation, or have resorted to fraud, bad faith or malice in doing so. When the shield of a separate corporate identity is used to commit wrongdoing and opprobriously elude responsibility, the courts and the legal authorities in a labor case have not hesitated to step in and shatter the said shield and deny the usual protections to the offending party, even after final judgment. The key element is the presence of fraud, malice or bad faith. Bad faith, in this instance, does not connote bad judgment or negligence but imports a dishonest purpose or some moral obliquity and conscious doing of wrong; it means breach of a known duty through some motive or interest or ill will; it partakes of the nature of fraud.<sup>[61]</sup>

As the foregoing implies, there is no hard and fast rule on when corporate fiction may be disregarded; instead, each case must be evaluated according to its peculiar circumstances.<sup>[62]</sup> For the case at bar, applying the above criteria, a finding of personal and solidary liability against a corporate officer like Guillermo must be rooted on a satisfactory showing of fraud, bad

faith or malice, or the presence of any of the justifications for disregarding the corporate fiction. As stated in *McLeod*,<sup>[63]</sup> bad faith is a question of fact and is evidentiary, so that the records must first bear evidence of malice before a finding of